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REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2001

(CIVIL)

GOVERNMENT OF PUNJAB

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TABLE OF CONTENTS

APPENDICES

PREFACE

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

2. Chapter I and II of this Report respectively contain Audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2001.

3. The remaining chapters deal with the findings of performance audit and audit of transactions in the various departments including the Public Works, Irrigation and Power Department, audit of Stores and Stock, audit of Autonomous Bodies and departmentally run commercial undertakings.

4. The Report containing the observations arising out of audit of Statutory Corporations, Boards and Government Companies and the Report containing such observations on Revenue Receipts are presented separately.

5. The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2000-2001 as well as those which had come to notice in earlier years but could not be dealt with in previous Report; matters relating to the period subsequent to 2000-2001 have also been included wherever necessary.

OVERVIEW

Overview

This Audit Report contains 27 Audit paragraphs and 6 Audit Reviews apart from comments on the Finance and Appropriation Accounts. As per existing arrangement, copies of the draft audit paragraphs and draft Audit Reviews are sent to the concerned Secretary to the State Government by the Accountant General, demi-officially with a request to furnish replies within 6 weeks. However despite such efforts, in 24 Audit Paragraphs out of the total number of 27 and in 6 Reviews, out of 6 Reviews, no response were received from the concerned Secretary of the State Government. The matter was also brought to notice of Chief Secretary by the Accountant General. Reply is still awaited.

I. Review of the State's Finances

- The assets of the State Government grew by only 14 per cent during 2000-2001 while the liabilities grew by 17 per cent, mainly as a result of 20.57 per cent growth in the deficit on the Government account. The net receipts frc n Public Accounts decreased from 10.67 per cent in 1999-2000 to 4.)9 per cent in 2000-2001. The share of revenue receipts in total sources of State Government went up from 64.41 per cent in 1999-2000 to 67.84 per cent during 2000-2001 and the receipts from Public Debt correspondingly went up from 22.52 per cent to 25.91 per cent.

- Though the share of revenue expenditure to total expenditure decreased from 94.65 per cent in 1999-2000 to 87.36 per cent in 2000-2001 yet it was significantly higher than the share of revenue receipts, leading to revenue deficit of Rs.2335.97 crore during 2000-2001. Balance from current Revenues was negative and remained at high level indicating that the Government had to depend only on borrowings to meet its plan expenditure.

- Interest payments though decreased by 11 per cent during the year 2000-2001, it increased by 43 per cent from Rs.1635 crore in 1996-97 to Rs.2343 crore in 2000-2001 mainly due to increase in public debt. It constituted 20 per cent of revenue expenditure.

- The ratio between capital outlay and capital receipts declined from 0.32 in 1997-98 to 0.27 in 2000-2001 indicating a worsening position, as a substantial part of the capital receipts was not available for capital formation or investment.

- As on 31 March 2001, 14 out of 23 Government companies, in which Government invested Rs.284.95 crore, were running at loss and the accumulated loss amounted to Rs.335.16 crore up to March 2001. Even the profit making Companies, Corporations and Co-operative Institutions, etc., gave insignificant returns of less than one per cent during 1996-2001. Thus, while the Government was raising high cost borrowing (at 10.52 per cent to 13.85 per cent rate of interest) from the market, its investment fetched practically no returns.

- Revenue of Rs.9.03 crore realised from 9 major irrigation projects with a total capital outlay of Rs.208.40 crore was only 4.33 per cent of the capital outlay and was not sufficient to cover even the direct working expenses of Rs.94.02 crore (excluding interest charges of Rs.14.36 crore). The projects suffered a net loss of Rs.99.35 crore in 2000-2001.

- The fiscal deficit of Rs.3904 crore (consisting of revenue deficit of Rs. 2336 crore) was financed by net proceeds of the Public Debt (Rs.3528 crore), and partly from surplus from Public Account (Rs.690 crore). Though the ratio of revenue deficit to fiscal deficit decreased from 0.93 in 1996-97 to 0.60 in 2000-2001 yet it was substantially of high indicating that a larger share of borrowings was applied to meet the revenue expenditure. There was no net receipt out of loans and advances received from Government of India (Rs.624 crore) due to repayments (Rs. 1820 crore).

- The outstanding guarantees has increased from Rs. 5732 crore in 1996-97 to Rs. 8990 in 2000-2001 and amounted to 96 per cent of the Revenue Receipts (Rs. 9377 crore) indicating that the Government was taking an unacceptable risk in giving guarantees.

- Persistent negative BCR, almost stagnant tax GSDP ratio and lukewarm approach by Government to implement the fiscal reforms programme (MOU) to reduce expenditure, coupled with huge revenue pending collection, increased fiscal deficit by 22 per cent during the year and forced State Government to borrow more and more. Resultantly, the outstanding Government debt now accounts for 42 per cent of GSDP. Apparent improvement as a result of decline in the interest ratio and Capital repayment Vs Capital borrowings ratio conceals the real debt burden that will arise in future when moratorium of five years granted by the GOI on repayment of Special Term Loans and interest thereon is over. This may put serious constraints on State resources during the subsequent years. if the growth of public debt is not arrested. Most of the increase in capital expenditure during the year was under non-plan (Rs. 695.37 crore) on procurement of foodgrains. While this has increased the capital expenditure to that extent, but the fact remains that no durable capital assets has been created and the potential loss as a result of prolonged storage at high storage cost cannot also be ruled out. Thus most of the borrowings are being spent on non-productive expenditure like revenue expenditure (60 per cent) and non-plan Capital expenditure (17 per cent) and there is little scope of new investments taking place. Since the government investments are yielding virtually nothing and its financial management leaves much to be desired, the sustainability of its finances is severely impaired and current year's improvement masks medium term problems due to moratorium on debt repayments.

(Paragraphs 1.1 to 1.12)

II Appropriation Audit and Control over expenditure

- During 2000-2001, expenditure of Rs.20027.96 crore was incurred against the total grants and appropriations of Rs.23928.57 crore resulting in a saving of Rs.3900.61 crore (16.30 per cent). The overall saving of Rs.3900.61 crore was the result of saving of Rs.4467.46 crore in 68 cases of grants and appropriation, offset by excess of Rs.566.85 crore under 8 cases of grants and appropriations. The excess of Rs.566.85 crore required regularisation by the Legislature under Article 205 of the Constitution.
- Supplementary provision of Rs.818.28 crore obtained during 2000-2001, which constituted 3.54 per cent of the original budget provision of Rs.23110.29 crore proved unnecessary as the expenditure fell short of even the original budget. Supplementary provision of Rs.285.48 crore obtained in 21 cases of grants and appropriations proved unnecessary in view of the final saving in each grant/appropriation being more than the supplementary provision. On the other hand in 2 cases, supplementary provision of Rs.222.22 crore proved insufficient by more than one crore resulting in uncovered excess expenditure of Rs.349.33 crore.
- Significant excess was persistent in 6 cases under one grant (Grant No.21-Public works).
- In 33 cases of grants/appropriations, there was saving exceeding rupees one crore in each case and also by more than 20 per cent of the total provision amounted to Rs.3729.58 crore. In 4 of the above cases, the entire provision totaling Rs.27.98 crore was not utilized.
- Injudicious re-appropriation of funds resulted in saving of more than Rs.10 lakh each in 29 cases; out of which in 16 cases, the saving was more than Rs.1 crore.
- In 10 cases, expenditure of Rs.1056.04 crore incurred during March 2001 was 53 per cent of the total expenditure (Rs.2008.66 crore), indicating rush of expenditure during the last month of the financial year.

(Paragraphs 2.1 to 2.10)

III Performance review of schemes

1. Veterinary and Animal Health Services

The main objective of the department is to provide veterinary and animal health services to livestock through clinical treatment, regular vaccinations, artificial inseminations and castration of bulls. For achievement of this goal 9 polyclinics, 1364 veterinary hospitals, 1431 veterinary dispensaries and 45 mobile units have been established in the State. A review of veterinary and animal health services indicated poor implementation of plan schemes. The health care service provided at the doorstep of farmers through mobile units had almost collapsed because only 4 out of 22 mobile vans were in working order. There was shortfall of 80 per cent in foot and mouth disease (FMD) vaccinations. Consequently FMD broke out in 1998 and 1073 cattle head perished. Some significant findings are given below:

- Of the total Plan provision of Rs.143.28 crore during 1996-2001, Rs.90.52 crore (63 per cent) remained unutilized. Non-plan expenditure, increased by 101 per cent over the same period.

- While Central assistance ranging between Rs. 1.56 crore and Rs. 7.45 crore was retained by Government during 1996-97 to 2000-01, the unplanned implementation of schemes resulted in blockade of money (Rs.63.83 lakh), unproductive investment (Rs.4.24 crore) and unfruitful expenditure of Rs. 24.38 lakh.

- Shortfall in treatment of animals ranged between 32 and 44 per cent. Due to inadequate FMD vaccinations, 1073 cattle head perished.

- Expenditure on medicines decreased from Rs.4.88 crore in 1997-98 to Rs.0.89 crore in 2000-2001, which was indicative of deterioration in animal health services.

- Department drew Rs. 3.69 crore on 61 abstract contingent bills for purchase of material, machinery and equipments from Government treasuries during 1994-2001, but did not submit detailed contingent bills. Inordinate delay in submission of bills indicated lack of control and monitoring at Director's level.

- Polyclinics in districts of Amritsar, Mansa and Moga were lying incomplete for the last 3 to 7 years resulting in blockade of Rs.0.73 crore.

- The scheme of providing animal health care at the door steps of the farmers through mobile health care units had not yielded desired results, as out of 22 mobile vans only 4 were in working order.

- Poor planning in deployment of veterinary staff not only resulted in irregular expenditure of Rs.1.65 crore but also deprived the animals of the veterinary care.

(Paragraph 3.1)

2. *Working of Internal Audit Organisation*

With a view to improve overall quality of work, reduce errors, omissions and irregularities, the State Government introduced (1982) the system of Internal Audit in revenue receipts. The focus was, however, shifted (1991) to some expenditure heads. The review conducted on the working of Internal Audit Organisation (IAO) revealed several deficiencies. There was heavy arrear in audit, inordinate delay in issue of audit notes, absence of monitoring to ensure settlement of objections raised by the IAO within a reasonable period. Paragraphs relating to shortfall in revenue receipts aggregating Rs.60.44 crore pointed out prior to discontinuance of audit of revenue receipts were lying unattended. Lack of effectiveness was persisting as the outstanding paragraphs had increased over the period. There was lukewarm response to the audit objections from the auditee organizations. The departments continued to commit irregularities which were pointed out in the Statutory test check. Some of the significant findings are given below:

- Of 1055 units to be audited annually, the IAO failed to conduct audit of 588 units and delay ranged from 1 to 5 years.
- 822 audit notes were issued late and delay ranged between 16 and 362 days.
- The follow up action on Internal Audit observations was lacking and 4059 audit notes containing 13277 paragraphs with money value of Rs.256.78 crore were pending for settlement.
- Utilisation of 368 mandays in excess of norms and non-utilisation of 1460 mandays because of poor planning; IAO incurred ungainful expenditure of Rs. 10.99 lakh on the pay and allowances.
- The shift in focus of IAO from revenue to expenditure audit proved to be ineffective as during the period under review 9520 cases of irregularities involving revenue effect of Rs.268 crore were detected by Statutory Audit.
- Internal Audit highlighted irregularities valuing Rs.45.68 lakh, which were already highlighted by Statutory Audit.

(Paragraph 3.2)

3. *Prevention and Control of Diseases*

Government of India launched several centrally sponsored programmes for prevention and control of diseases, namely National AIDS Control Programme in 1992 and National Programme for Control of Blindness in 1976. A review on the performance of these programmes during 1996-2001 in Punjab state revealed the following:

3.1 *National AIDS Control Programme*

To contain the spread of the HIV infection in India and to strengthen India's capacity to respond to the HIV/AIDS as a long term basis, the Government of India (GOI) launched a hundred per cent centrally sponsored National AIDS Control Programme in 1992. The review of the programme revealed several deficiencies in its management and implementation. The implementation was poor in the State as 82 per cent of the available funds remained unutilized during 1996-97. The achievements under sub-components of the programme were not substantial and in most of the cases targets were not fixed. The task of identifying groups of high-risk population remained ineffective as against the coverage of whole State, only 4 towns were covered and only base line data was compiled. Peer counseling, treatment of STIs and client programmes were virtually absent. The training programme was not complete in all respects as no training was given to medical and para-medical staff in the field.

The National programme for control of blindness, a cent per cent Centrally sponsored programme, was launched in 1976 to achieve the goal of reducing the prevalence of blindness upto 3 per thousand of population by year ending 2000. The review of the programme revealed gross deficiencies in programme implementation. The achievements fixed for cataract surgery were inflated by 30 to 45 per cent and funds released by Government of India (GOI) to Director Health Services (DHS) and DBCSs remained unutilized. There was a lack of monitoring and evaluation of the programme at State level.

Some significant irregularities are given below:

- Out of funds of Rs.292.53 lakh, released by Government of India, Rs.51.21 lakh (18 per cent) only were utilized for the implementation of the programme during 1996-97.

- The achievements under priority targeted intervention for groups at high risk and low cost AIDS care components were negligible as only Rs.0.26 crore (19 per cent) were expended out of available funds of Rs.1.35 crore during 1999-2001

- Condom delivery system failed to take off due to non-purchase of condoms/purchase of defective condom vending machines, beside wasteful expenditure of Rs.22.61 lakh.

- Non-transfer of IEC material worth Rs. 7.11 lakh by the State AIDS Cell to the State AIDS Control Society affected the awareness campaign adversely.

- Equipments worth Rs.12.39 lakh were purchased in contravention of the guidelines issued by NACO.

- Out of Rs.1.60 crore received by the State Government from GOI for the implementation of the programme during 1996-2001, Rs.1.48 crore (92 per cent) were not released by the State Government.

- Achievements of cataract operations by the Government hospitals were inflated by 34 to 45 per cent during 1996-2001 by including the operations conducted by NGOs in the reports.

- Central purchase of material and equipments was not made by the State Government and funds amounting to Rs. 1.03 crore released by GOI for the purpose were retained by the State Government for meeting its own expenditure.

- Irregular and excess expenditure of Rs. 14.40 lakh was incurred on purchase of medicines, non-consumables and payment to NGOs.

(Paragraph 3.3)

4. Drinking water

Implementation of the Rural Water Supply Programme was not effective as 366 problem villages remained uncovered as of March 2001 despite the availability of funds. Many schemes remained non-functional due to poor maintenance. No control mechanism existed to monitor the drawal of water samples at prescribed intervals. Water was being supplied to many rural areas with Chemical contents beyond the prescribed limit. Under Urban Water Supply programme, none of the projects taken up during 1997-2000 could be completed as of March 2001 as a result of which supply of potable water continued to remain a distant dream for these towns. At Government level, no monitoring and evaluation of any of the programmes was done. Some of the significant findings are mentioned below :-

- In violation of guidelines, the Government delayed release of Rs.63.41 crore by one to six months to Public Health Department during 1997-2001
- Out of 1021 problem villages targetted to be covered during 1997-2001, 366 villages (36 per cent) remained uncovered.
- While Rs.7.71 crore were spent on 53 schemes without getting their detailed estimates sanctioned, Rs.3.45 crore were spent on 86 schemes in excess of sanctioned estimates.
- 35 RWS schemes commissioned at a cost of Rs. 5.60 crore remained non functional from 4 to 42 months due to poor O&M of schemes.
- Chemical contents of water being supplied through 10 schemes commissioned at a cost of Rs.1.45 crore were in excess of permissible limits and unsafe drinking water was being supplied to inhabitants.
- Despite receipt of funds from GOI, no activities under IEC and MIS were undertaken.
- Central assistance of Rs. 1.84 crore for water supply in 4 towns during 1993-94 to 1996-97 was released by State Government to implementing agency after 5 years.
- Of the 12 towns to be provided with drinking water during 1997-2000, projects of only 9 towns were taken up but none of them was completed as of March 2001.
- After incurring an expenditure of Rs. 20.82 lakh under a State Plan Scheme, the project was taken up irregularly under AUWSP thus depriving other deserving towns of the benefit of AUWSP.
- The cost of 2 Urban Water Supply Schemes was over estimated by Rs. 21.29 lakh due to inclusion of undeveloped area in the DPR.

- Levy of departmental charges in excess of prescribed limit resulted in excess expenditure of Rs. 12.15 lakh on the programme.

- Non-realisation of requisite share from the Municipal Committees for any of the schemes of AUWSP resulted in extra burden of Rs. 12.60 lakh on State exchequer.

(Paragraph 4.1)

5. Integrated Audit of Irrigation Department including Manpower Management

The State of Punjab had a total length of 14,482 kms of canals and distributaries at the end of March 2001. A review on integrated audit of Irrigation Department including Manpower management indicated several deficiencies in the planning and execution of works. The budgetary control in the department was deficient. Even after lining 1092.06 kms of channels, the area irrigated from canal water had decreased during 1996-2000. Proper evaluation and effective monitoring of various schemes had not been undertaken. Some of the significant findings are given below:

- Budgetary control was deficient in the department. Budget estimates were prepared on adhoc basis and budget demands were 26 to 747 per cent higher than expenditure in respect of each year during 1996-2001.

- Though no expenditure was incurred against original grants, the department granted funds through supplementary grants of Rs. 31.74 crore (8 schemes) and re-appropriation of Rs. 48.94 crore (16 schemes) during 1996-2000.

- Though State Government was not providing adequate funds for ongoing schemes, 18 new schemes were taken up during 1998-2001 without increase in annual budget allocations.

- Although Government incurred expenditure of Rs. 231.08 crore on lining of 1092.06 kms of channels but area under canal irrigation had decreased from 16.28 lakh hectares to 9.77 lakh hectares during 1996-2000.

- Even after spending Rs. 14.23 crore on raising and lining of 127.59 kms of Bhakra Main Line canal, its discharge capacity could not be increased.

- Despite utilisation of Central Assistance of Rs 4.22 crore, the Centrally sponsored schemes could not be completed, as the State Government did not release its share.

- Improper survey study to tackle water logging in Muktsar led to abandonment of scheme which resulted in ungainful expenditure of Rs.5.21 crore on installation of 280 tubewells.

- Failure to adhere to the provisions of the Land Acquisition Act, department had incurred an avoidable expenditure of Rs. 1.93 crore besides creating a liability of Rs.17.15 crore.

- 4 Executive Engineers got works executed from private contractors at a cost of Rs. 2.82 crore whereas departmental machinery remained unutilised during 1997-2000.

- Rs. 100.79 crore were spent on pay and allowances of idle staff of SYL and Canal Lining projects.

- Training was deficient even after incurring expenditure of Rs.3.52 crore on infrastructure and Rs 31.73 lakh on establishment of Training Institute.

(Paragraph 4.2)

6. Punjabi University

Punjabi University, Patiala was established with the objective of advancement of Punjabi studies and development of Punjabi language as a medium of instructions and for promotion of higher education and research. In addition to the funds generated by the University, State Government provides maintenance grants and the University Grants Commission (UGC) provides funds for various research projects. University maintains a number of revolving fund accounts which are not included in the budget proposals and thus do not depict the true and fair financial position of the University. Neither any system of quality control was in existence nor the activities of the University and impact of implementation of various programmes had ever been evaluated. Some of the significant findings are given below. There was an accumulated balance of unutilized funds of Rs. 5.54 crore as on March 2001. In addition, accumulated balances of revolving funds (Rs.14.68 crore) and funds for self-supporting correspondence courses (Rs.3.27 crore) were also lying unspent which were not depicted in the budget.

- University has not prepared the required balance sheets since its inception. Temporary advances amounting to Rs. 5.50 crore remained unadjusted.

- The services of the teaching staff were under utilized (25 per cent) having financial implication of Rs.7.62 crore.

- 69 programmes produced were found to be unworthy of telecast resulting in wasteful expenditure of Rs.1.07 crore.

- Out of grant amounting to Rs.81.15 lakh provided by UGC during March 1998 for implementation of 2 projects, Rs. 72.26 lakh remained unutilized.

(Paragraphs 6.1.)

7. *Stores & stock accounts*

To achieve the objective of the Jail department of protecting society through correction, resocialisation and rehabilitation of offenders, the department provides institutional and non-institutional treatment by imparting training in furniture manufacturing, tents preparing, cloth weaving and soap making etc. Significant findings, as a result of test check, are given below:-

- Instead of purchasing fuel wood from Punjab State Forest Development Corporation Ltd. (PSFDC), the department resorted to local purchase which resulted in extra expenditure of Rs. 18.12 lakh.
- Purchase of wheat in off season resulted in avoidable expenditure of Rs. 10.07 lakh.
- Lack of proper planning and coordination resulted in avoidable loss of Rs. 5. 55 lakh on sale of dairy milk.
- Purchases of yarn and wood in excess of requirements resulted in blockade of Rs. 75.97 lakh.
- Manufactured goods and other stores worth Rs. 80.91 lakh and Rs.59.33 lakh respectively were lying undisposed.
- Consumption of material for preparation of tea in excess of norms resulted in extra expenditure of Rs. 99.69 lakh.
- Non-obtaining of security deposit in 117 cases resulted in undue financial aid of Rs. 55.71 lakh.
- Close Circuit Television system installed in 2 Jails at a cost of Rs.61.11 lakh remained non-functional and resulted in idle investment.

(Paragraph 5.1)

8. *Material Management and Inventory Control of Punjab Roadways*

The Punjab Roadways was established with the objective of providing road transport to the public in an economic and efficient manner. Significant audit findings are given below:-

- Non-observation of the provision of Sales Tax Act resulted in avoidable payment of Rs. 92.85 lakh.
- Non-availing of DGS&D rates resulted in extra expenditure of Rs.18.57 lakh on procurement of 6189 tyres.
- Non-levy of liquidated damages on delayed supplies resulted into loss of Rs. 11.60 lakh.

- On the basis of highest KMPL achieved in a depot there was excess consumption of lubricants of Rs. 2.06 crore. Further, due to non-fixation of norms for major assemblies, there was excess consumption of assemblies worth Rs. 57.72 lakh.
- Non-fixation of norms for recovery of burnt engine oil resulted in short recovery of Rs. 8.10 lakh.
- Rejection of competitive rates offered by MSTC resulted in undue stocking of stores of Rs. 41.10 lakh.

(Paragraph 7.1)

IV. AUDIT PARAGRAPH

1. Non-achievement of objectives

(i) The expenditure of Rs.50.15 lakh incurred on the construction of buildings to set up soil testing laboratories, purchase of material and equipment remained ungainful and no tangible benefit could be provided to farmers for 2 to 4 years as buildings could not be made functional.

(Paragraph 3.4)

(ii) Failure of the Government to provide funds for electricity connections resulted in ungainful expenditure of Rs.15.41 lakh incurred on lift irrigation project besides depriving the beneficiaries of the intended benefit since October 1998

(Paragraph 3.13)

(iii) Injudicious action of public works authorities to enhance the scope of work beyond administrative approval resulted in idle expenditure of Rs.42.85 lakh on construction of DIET building for over ten years. Besides, the intended benefit of DIET building also remained unachieved.

(Paragraph 4.4)

(iv) Inordinate delay in completion of inquiry of sub-standard execution of retaining walls of a road resulted in abandonment of work for over seven years even after spending Rs.26.87 lakh besides depriving the intended benefits of roads to the inhabitants of rural areas.

(Paragraph 4.5)

2. Inadmissible/excess/irregular payments

(i) Non-payment of loan in time by the Government resulted in extra liability of Rs.1.68 crore.

(Paragraph 3.5)

(ii) The user charges of Rs.25.40 lakh collected from the patients were utilised irregularly for the payment of electricity and telephone bills.

(Paragraph 3.8)

(iii) Two units were paid investment incentive of Rs.33.73 lakh in the absence of lease deed or title of land.

(Paragraph 3.10)

(iv) Expenditure of Rs.81.58 lakh incurred on the work not specified in the item of expenditure under Calamity Relief Fund was not justified.

(Paragraph 3.12)

(v) Adoption of rate of application of tack coat other than MOST resulted in additional expenditure of Rs.26.53 lakh.

(Paragraph 4.7)

(vi) Non-adherence to rules had resulted in incurring irregular expenditure and non-recovery of expenditure of Rs.15.21 lakh on repairs of watercourses.

(Paragraph 4.9)

(vii) Payment of interest on the solatium of the balance enhanced compensation in contravention of the Hon'ble Supreme Court of India decision (Civil Appeal no. 2872 of 1996) resulted in excess payment of interest of Rs. 50.85 lakh.

(Paragraph 6.4)

3. Infructuous expenditure

(i) Expenditure of Rs.90.88 lakh incurred on pay and allowances of 11 Science Lecturers and 11 Senior Laboratory Attendants deployed in 5 schools rendered unfruitful due to non starting of science classes.

(Paragraph 3.6)

(ii) Non-functioning of new building of ESI hospital at Ludhiana resulted in infructuous expenditure of Rs.54.86 lakh on electricity charges.

(Paragraph 3.7)

(iii) Retention of sub-jail staff without any under-trial in the sub-jail resulted in ungainful expenditure of Rs. 34.05 lakh.

(Paragraph 3.9)

(iv) Wood Seasoning Plant, Kartarpur was closed down from January 1999 but staff was paid wages of Rs.25.75 lakh between January 1999 and April 2001 without any work and therefore infructuous.

(Paragraph 3.11)

(v) Ungainful expenditure of Rs. 66.81 lakh on construction of Government Polytechnics at Rahon and Muktsar due to abandonment of work.

(Paragraph 3.14)

(vi) Indecision of the Government to either entrust additional work to a sub-division at New Delhi or order its closure had resulted in ungainful expenditure of Rs.72.24 lakhs on the pay and allowances of idle staff.

(Paragraph 4.3)

4. *Avoidable expenditure*

(i) Failure of the Executive Engineer in ensuring clear site before allotment of work resulted in avoidable expenditure of Rs.24.11 lakh towards compensation.

(Paragraph 4.6)

(ii) Delay of 2 years in processing and arrangement of funds resulted in avoidable payment of interest of Rs. 18.90 lakh.

(Paragraph 4.8)

5. *Loss of money*

(i) Investment of Rs. 4 crore of GPF/CPF/Pension Fund made by Punjab Agricultural University in PUNWIRE in violation of Government instructions resulted in loss of entire investment and interest of Rs. 2.11 crore.

(Paragraph 6.2)

(ii) Injudicious investment of Rs. 1.65 crore in PUNWIRE in disregard to Government instructions resulted in loss of investment of Rs. 97 lakh alongwith interest/penal interest of Rs. 52.53 lakh.

(Paragraph 6.3)

(iii) Delay in applying treatment for quality control measures coupled with non-despatch of 6864.25 qtls. of wheat in time resulted into loss of Rs.31.21 lakh.

(Paragraph 7.3)

6. *Blockade of funds*

(i) Longer storage of paddy coupled with non-milling thereof resulted in blockade of Rs. 42.47 lakh and extra cost of Rs. 5.16 lakh on storage.

(Paragraph 7.2)

CHAPTER – I

CHAPTER I

AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

This chapter discusses the financial position of the State Government, based on the analysis of the information contained in the Finance Accounts. The analysis is based on the trends in the receipts and expenditure, the quality of expenditure and the financial management of the State Government. In addition, the chapter also contains a section on the analysis of indicators of financial performance of the government, based on certain ratios and indices developed on the basis of the information contained in the Finance Accounts and other information furnished by the State Government. Some of the terms used in this chapter are explained in the Appendix-I.

1.2 Financial position of the State

In the Government accounting system comprehensive accounting of the fixed assets like land and buildings etc., owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by the Government. Exhibit I gives an abstract of such liabilities and the assets as on 31 March 2001, with the corresponding position on 31 March 2000. While the liabilities in this statement consist mainly of internal borrowings, loans and advances from the Government of India, receipts from the Public Account, Deposits and Reserve Funds, the assets comprise mainly the capital outlay, loans and advances given by the State Government and the cash balances. It would be seen from Exhibit I that while the liabilities grew by 17 per cent, the assets grew by only 14 per cent during 2000-2001, mainly as a result of a (20.57 *per cent*) growth in the deficit on the Government account. This shows an overall deterioration in the financial condition of the Government, as brought out in succeeding paragraphs.

EXHIBIT-I

SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF PUNJAB AS ON 31 MARCH 2001

(Rupees in crore)

As on 31.03.2000	Liabilities		As on 31.03.2001
6077.36	**Internal Debt -**		**9612.41**
2249.96	Market Loans bearing interest	2594.97	
0.42	Market Loans not bearing interest	0.64	
12.88	Loans from LIC	11.70	
1818.43	Loans from other Institutions	2671.28	
182.12	Ways and Means Advances	243.42	
101.92	Overdrafts from Reserve Bank of India	48.37	
1711.63	Special Securities issued to National Small Savings Fund of Central Government	4042.03	
13015.76[1]	**Loans and Advances from Central Government -**		**13008.27**
111.81	Pre 1984-85 Loans	93.07	
5945.40[1]	Non-Plan Loans	5799.26	
6567.28	Loans for State Plan Schemes	6787.92	
1.04	Loans for Central Plan Schemes	0.77	
90.23	Loans for Centrally Sponsored Plan Schemes	87.25	
300.00	Other ways and means advances	240.00	
21.60	**Contingency Fund**		**21.60**
4568.10	**Small Savings, Provident Funds, etc.**		**5209.64**
1046.10	**Deposits**		**1024.76**
234.29	**Reserve Funds**		**243.77**
113.96	**Remittance Balances**		**243.33**
25077.17			**29363.78**
	Assets		
8715.51	**Gross Capital Outlay on Fixed Assets -**		**10108.10**
2307.54	Investments in shares of Companies, Corporations, etc.	2334.88	
6407.97	Other Capital Outlay	7773.22	
4795.01	**Loans and Advances -**		**4970.20**
3609.10	Loans for Power Projects	3784.81	
989.49	Other Development Loans	942.77	
196.42	Loans to Government servants and Miscellaneous loans	242.62	
0.59	**Advances**		**0.68**
15.70	**Suspense and Miscellaneous Balances**		**85.06**
195.76	**Cash -**		**509.17**
-	Cash in Treasuries and Local Remittances	-	
(-)38.44[2]	Deposits with Reserve Bank	155.69	
52.32	Departmental Cash Balance	87.78	
0.16	Permanent cash imprest	0.16	
137.25	Investment of Earmarked Funds	141.56	
44.47	Cash Balance Investments	123.98	
11354.60	**Deficit on Government Accounts -**		**13690.57**
2727.41	Revenue Deficit of the Current Year	2335.97	
(-)1.42	Other adjustments	-	
8670.23	Accumulated deficit up to previous year	11354.60	
(-)41.62	Proforma correction	-	
25077.17			**29363.78**

1 Differs by 1711.63 from closing balance due to proforma transfer of balance vide foot note (a) and (z) Finance Accounts for the year 2000-2001 page 269.

2 This was mainly due to difference in figures reflected in accounts and that intimated by the Reserve Bank of India, and delayed reconciliation of inter-government adjustment transactions

EXHIBIT-II

ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2000-2001

(Rupees in crore)

1999-2000		Receipts		2000-01
		Section-A: Revenue		
7467.86	**I.**	**Revenue receipts**		**9376.86**
3947.47		-Tax revenue	4895.22	
2361.46		-Non-tax-revenue	2935.24	
638.59		-State's share of Union Taxes and Duties	719.33	
181.46		-Non-Plan Grants	441.50	
115.14		-Grants for State Plan Schemes	193.35	
223.74		-Grants for Central and Centrally sponsored Plan Schemes	192.22	
2727.41	**II.**	**Revenue deficit carried over to Section B**		**2335.97**
10195.27		**Total Section A**		**11712.83**

1999-2000		Disbursements	Non Plan	Plan		2000-01 Total
	I.	**Revenue expenditure-**				
5582.23		**General services**	-	-		**6530.81**
2716.33		**Social Services-**				**2992.71**
1805.29		-Education, Sports, Art and Culture	1642.90	216.07	1858.97	
544.56		-Health and Family Welfare	473.54	164.04	637.58	
134.69		-Water Supply, Sanitation Housing and Urban Development,	109.50	58.05	167.55	
10.92		-Information and Broadcasting	9.23	1.60	10.83	
28.77		-Welfare of Scheduled Castes, Scheduled tribes and Other Backward Classes	42.88	3.27	46.15	
49.89		-Labour and Labour Welfare	49.15	3.54	52.69	
135.50		-Social Welfare and Nutrition	172.31	39.97	212.28	
6.71		-Others	6.66	-	6.66	
1846.34		**Economic Services-**				**2100.50**
339.37		-Agriculture and Allied Activities	315.40	132.70	448.10	
46.69		-Rural Development	35.03	32.22	67.25	
8.93		-Special Areas Programmes	-	13.25	13.25	
294.06		-Irrigation and Flood Control	315.34	0.43	315.77	
404.11		-Energy	604.58	0.43	605.01	
38.16		-Industry and Minerals	20.93	7.62	28.55	
458.09		-Transport	433.11	14.33	447.44	
0.72		-Science, Technology	-	1.53	1.53	
		and Environment	-	-		
256.21		-General Economic Services	38.85	134.75	173.60	
50.37		**Grants-in-aid and Contributions**				**88.81**
10195.27		**Total Section A**				**11712.83**
826.51	**II**	**Opening Overdraft from RBI**				**101.92**
	III	**Capital Outlay-**				
37.81		**General Services-**				**42.80**
41.80		**Social Services-**				**52.51**
7.62		-Education, Sports, Art and Culture		0.28	0.28	
7.16		-Health and Family Welfare		2.55	2.55	
26.03		-Water Supply, Sanitation,	0.02	49.51	49.53	
0.50		-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes,		-		
-		-Social Welfare and Nutrition		0.01	0.01	
0.49		-Others		0.14	0.14	

(Rupees in crore)

1999-2000		Receipts		2000-2001
		Section-B		
263.90	III	**Opening Cash balance including Permanent Advances and Cash Balance Investment**		**195.76**
-	IV	**Miscellaneous Capital receipts**		-
108.67	V.	**Recoveries of Loans and Advances-**		**126.90**
0.15		-From Power Projects	0.20	
33.00		-From Government Servants	54.85	
75.52		-From others	71.85	
	VI	**Revenue surplus brought down**		
4458.63	VII	**Public debt receipts-**		**5049.04**
1653.90		-Internal debt other than ways and means Advances and Overdraft	4363.62	
2.72		-Net transactions under Ways and Means Advances	61.30*	
2802.01		-Loans and Advances from Central Government	624.12	
-	VIII	**Appropriation from the Consolidated Fund**	-	
7.00	IX	**Amount transferred to Contingency Fund**	-	
10863.91	X	**Public Account receipts-**		**11049.04**
1372.65		-Small Savings and Provident funds	1256.98	
68.29		-Reserve funds	96.03	
2214.17		-Deposits and Advances	1726.63	
6339.27		-Suspense and Miscellaneous	7195.51	
869.53		-Remittance	773.89	
101.92	XI	**Closing Overdraft from Reserve Bank of India**		**48.37**
15804.03		**Total**		**16469.11**

1999-2000		Disbursements				2000-2001
359.25		**Economic Services-**			1297.28	
(-)154.49		-Agriculture and Allied Activities	695.30	(-)2.69	692.61	
2.76		-Special Areas Programmes	-	4.77	4.77	
363.82		-Irrigation and Flood Control	-	441.26	441.26	
		Rural Development		0.30	0.30	
(-)30.31		-Industry and Minerals	-	(-)7.87	(-)7.87	
61.27		-Transport	(-)0.50	80.02	79.52	
115.79		-General Economic Services	-	79.83	79.83	
0.41		Capital Account of Science Technology and Environment.	-	6.86	6.86	
438.86		**Total**				**1392.59**
137.11	IV	**Loans and Advances disbursed-**				**302.09**
36.76		-For Power Projects			175.91	
74.50		-To Government Servants			100.91	
25.85		-To Others			25.27	
-	V	**Appropriation from the Consolidated Fund**			–	
2727.41	VI	**Revenue deficit brought down**				**2335.97**
1848.20	VII	**Repayment of Public Debt-**				**1467.93**
716.61		-Internal debt other than Ways and Means Advances and Overdrafts			836.32	
-		-Net transactions under Ways and Means Advances and overdraft			-	
1131.59		-Repayment of Loans and Advances to Central Government			631.61	
3.40	VIII	**Expenditure from Contingency Fund**				
9626.78	IX	**Public Account disbursements-**				**10359.44**
474.03		-Small Savings and Provident Funds			615.44	
35.10		-Reserve Funds			86.56	
6338.66		-Deposits and Advances			1748.06	
845.79		-Suspense and Miscellaneous			7264.87	
1933.20		-Remittances			644.51	
195.76	X	**Cash Balance at end-**				**509.17**
(-)38.44		-Deposits with Reserve Bank			155.69	
52.32		-Departmental Cash Balance			87.78	
0.16		-Permanent cash imprest			0.16	
44.47		-Cash Balance Investment			123.98	
137.25		Investment of Earmarked Funds			141.56	
15804.03		**Total**				**16469.11**

Note : *Minus expenditure is because of recoveries on capital account.*

* Represents receipts Rs.2170.77 crore and disbursements Rs.2109.47 crore.

EXHIBIT III. SOURCES AND APPLICATION OF FUNDS

(Rupees in crore)

Percentage of total	1999-2000		Sources		2000-2001	Percentage of total
64.41	**7467.86**	**1.**	**Revenue receipts**		**9376.86**	67.84
0.94	**108.67**	**2.**	**Recoveries of Loans and Advances**		**126.90**	0.92
22.52	**2610.43**	**3.**	**Increase in Public debt other than overdraft**		**3581.11**	25.91
10.67	**1237.13**	**4.**	**Net receipts from Public account**		**689.60**	4.99
	898.62		Increase in Small Savings	641.54		
	280.97		Decrease in Deposits and Advances	(-)21.43		
	33.19		Increase in Reserve funds	9.47		
	0.61		Net effect of suspense and Miscellaneous transactions	(-)69.36		
	23.74		Net effect of Remittance transactions	129.38		
-	-	**5.**	**Misc. Capital Receipt**	-	-	
0.87	**101.92**	**6**	**Outstanding overdraft**		**48.37**	0.34
0.59	**68.14**	**7**	**Decrease in closing cash balance**	-	-	
100.00	**11594.15**		**Total**		**13822.84**	**100**
			Application			
87.93	**10195.27**	**1.**	**Revenue expenditure**		**11712.83**	84.74
1.18	**137.11**	**2.**	**Lending for development and other purposes**		**302.09**	2.19
3.79	**438.86**	**3.**	**Capital expenditure**		**1392.59**	10.07
(-)0.03	**(-)3.60**	**4.**	**Net effect of contingency fund transactions**		-	
-	-	**5.**	**Increase in closing cash balance**		**313.41**	2.27
7.13	**826.51**	**6.**	**Repayment of over draft**		**101.92**	**0.73**
100.00	**11594.15**		**Total**		**13822.84**	**100**

<u>Explanatory Notes for Exhibit I, II and III:</u>

1. The abridged accounts in the foregoing statements have to be read with comments and explanation in the finance accounts.
2. Government accounts being mainly on cash basis, the deficit on Government accounts, as shown in Exhibit I, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation in stock figures etc., do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid, payment made on behalf of the State and other pending settlement etc.
4. There was a difference of Rs.47.73 crore between the figures reflected in the accounts and that intimated by the Reserve Bank of India under the head "Deposits with Reserve Bank". On reconciliation this difference now stands at Rs.0.59 crore (July, 2001).

EXHIBIT IV. TIME SERIES DATA ON STATE GOVERNMENT FINANCES

(Rupees in crore)

	1996-97	1997-98	1998-99	1999-2000	2000-2001
Part A. Receipts					
1. Revenue Receipts	5569	6351	5755	7468	9377
(i)Tax Revenue	2735 (49)	3045 (48)	3262 (57)	3947 (53)	4895 (52)
Taxes on Agricultural Income	-	-	-	-	-
Taxes on Sales, Trades etc.	1265 (46)	1401 (46)	1490 (46)	1977 (50)	2645 (54)
State Excise	1001 (37)	1144 (38)	1204 (37)	1231 (32)	1325 (27)
Taxes on vehicles	195 (7)	216 (7)	266 (8)	321 (8)	338 (7)
Stamps and Registration fees	182 (7)	233 (8)	258 (8)	326 (8)	424 (9)
Land Revenue	3	4	3	5	7
Other Taxes	89 (3)	47 (1)	41 (1)	87 (2)	156 (3)
(ii) Non Tax Revenue	1945 (35)	2356 (37)	1507 (26)	2362 (32)	2935 (31)
(iii) State's share of Union taxes and duties	528 (10)	657 (10)	587 (10)	639 (8)	720 *(8)
(iv) Grants in aid from GOI	361 (6)	293 (5)	399 (7)	520 (7)	827 (9)
2. Misc Capital Receipts	-	-	-	-	-
3. Total revenue and Non debt capital receipts (1+2)	5569	6351	5755	7468	9377
4. Recoveries of Loans and Advances	82	95	107	109	127
5. Public Debt Receipts	2418	2538	4532	4456	4996
Internal Debt (excluding Ways & Means Advances and Overdrafts.)	900	1083	1267	1654	4364
Net transactions under Ways and Means advances and Overdraft	-	-	905	-	8
Loans and Advances from Government of India*	1518	1455	2360	2802	624
6. Total receipts in the Consolidated Fund (3+4+5)	8069	9084	10394	12033	14500
7. Contingency Fund Receipts	-	-	5	7	-
8. Public Account Receipts	7017	9057	9370	10864	11049
9. Total receipts of the State (6+7+8)	15086	18141	19769	22904	25549
Part B. Expenditure/Disbursement					
10. Revenue Expenditure	6926(98)	7835(88)	8384(87)	10195(95)	11713 (87)
Plan	555(8)	552(7)	628(7)	812(8)	829 (7)
Non Plan	6371(91)	7283(93)	7756(93)	9383(92)	10884 (93)
General Services (incl. Interests. Payment)	2912(42)	3643(47)	4391(52)	5582(55)	6531 (56)
Social Services	1639(24)	2062(26)	2640(31)	2716(27)	2993 (25)
Economic Services	2308(33)	2060(26)	1280(15)	1846(18)	2100 (18)
Grants in aid and Contributions	67 (1)	70 (1)	73 (1)	51	89 (1)
11. Capital Expenditure	(-)239(-4)	970(11)	1140(12)	439(4)	1393 (11)
Plan	259(108)	877(90)	870(76)	589(134)	697 (50)
Non Plan	(-)498(-208)	93(10)	270(24)	(-)150@ (-34)	696 (50)
General Services	32(13)	35(3)	42(4)	38(9)	43 (3)
Social Services	29(12)	46(5)	68(6)	42(9)	53 (4)
Economic Services	(-)300(-125)	889(92)	1030(90)	359(82)	1297 (93)
12. Disbursement of Loans and Advances	429 (6)	119(1)	118(1)	137(1)	302 (2)
13. Total (10+11+12)	7116	8924	9642	10771	13408
14. Repayments of Public Debt	1272	1130	1696	2570	1468
Internal Debt (excluding Ways and Means Advances and Overdraft.)	623	604	414	717	836
Net transactions under Ways and Means advances and Overdraft	227	2	-	722	-
Loans and Advances from Government of India*	422	524	1282	1131	632
15. Appropriation to Contingency Fund	-	-	-	-	-
16. Total disbursement out of Consolidated Fund (13+14+15)	8388	10054	11338	13341	14876

* Higher rounding taken

*** Includes Ways and Means Advances from GOI**

@ Minus expenditure is because of recoveries under major head dealing with capital expenditure (4059, 4250, 4401, 4404,4408 and 5054)

17. Contingency Fund disbursements		5	7	4	-
18. Public Account disbursements	6610	8101	8254	9627	10359
19. Total disbursements by the state (16+17+18)	14998	18160	19599	22972	25235
Part C. Deficits					
20. Revenue Deficit (1-10)	1357	1484	2629	2727	2336
21. Fiscal Deficit (3+4-13)	1465	2478	3780	3194	3904
22. Primary Deficit (21-23)	(-)170	629	1463	557	1561
Part D Other data					
23. Interest Payments (included in revenue exp.)	1635	1849	2317	2637	2343
24. Arrears of Revenue (Percentage of Tax & non-Tax Revenue Receipts)	1980(42)	1543(29)	2026(42)	2393(38)	3439(44)
25. Financial Assistance to local bodies etc.	124	96	212	376	357
26. Ways and Means Advances/Overdraft availed (days)	117/54	140/101	128/225	166/84	146/107
27. Interest on WMA/Overdraft	3/2	7/2	8/6	8/4	7/2
28.Gross State Domestic Product (GSDP)	44163	48387	54414	62700	68746#
29. Outstanding Debt (year end)	15593	17857	21705	24804	28957
30. Outstanding guarantees (year end)	5732	5012	3390	9951	8990
31. Maximum amount guaranteed (year end)	6753	10630	7408	12059	7331
32. Number of incomplete projects	5	8	10	13	10
33. Capital blocked in incomplete projects	0.78	62	102	1380	548

Note: Figures in brackets represent percentages (rounded) to total of each sub heading

 # Revised GSDP figures adopted for 1996-97 to 1999-2000, GSDP for 2000-01 worked out on average growth rate.

1.3 Financial operations of the State Government

1.3.1 Exhibit II presents details of the receipts and disbursements made by the State Government during the year 1999-2000 and 2000-2001. The Revenue expenditure (Rs.11712.83 crore) during the year exceeded the revenue receipts (Rs.9376.86 crore) resulting in a revenue deficit of Rs.2335.97 crore. The Revenue receipts comprised tax revenue (Rs.4895.22 crore), non-tax revenue (Rs.2935.24 crore), State's share of Union taxes and duties (Rs.719.33 crore) and grants-in-aid from the Central Government (Rs.827.07 crore). The main sources of tax revenue were taxes on sales & trades etc. (54 *per cent*), state excise (27 *per cent*). Non-tax revenue came mainly from General Services (62 *per cent*) and Economic services (11 *per cent*).

1.3.2 The capital receipts comprised Rs.127 crore from recoveries of loans and advances and Rs.7159* crore from public debt. Against this, the expenditure was Rs.1393 crore on capital outlay, Rs.302 crore on disbursement of loans and advances and Rs.3577 crore on repayment of public debt. The receipts in the Public Account amounted to Rs.11049 crore, against which the disbursements of Rs.10359 crore were made. The net effect of the transactions in the Consolidated Fund, Contingency Fund and Public Account was an increase of Rs. 314 crore in the cash balance from Rs.195 crore at the beginning of the year to Rs.509 crore at the end of the year.

1.3.3 The financial operations of the State Government pertaining to its receipts and expenditure are discussed in the following paragraphs, with reference to the information contained in Exhibit II and the time series data for the five year's period from 1996-97 to 2000-2001, presented in Exhibit IV.

* Including ways and Means advances other than Overdraft.

1.4 Sources and application of fund

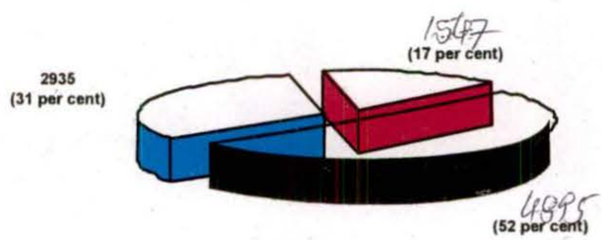
1.4.1 Exhibit III gives the position of sources and application of funds during the current and the preceding year. The main sources of funds include the revenue receipts of the Government, recoveries of the loans and advances, public debt and the receipts in the Public Account. These are applied mainly on revenue and capital expenditure and the lending for developmental purposes. It would be seen that the revenue receipts constitute the most significant source of fund for the State Government. Their share went up from 64.41 *per cent* in 1999-2000 to 67.84 *per cent* during 2000-2001, the receipts from the public debt correspondingly went up from 22.52 *per cent* to 25.91 *per cent*. The share of recoveries of loans and advances came down marginally from 0.94 *per cent* to 0.92 *per cent* and the net receipts from the Public Account, decreased from 10.67 *per cent* in 1999-2000 to 4.99 *per cent* in 2000-2001 attributed mainly to decrease in the Deposits and Advances.

1.4.2 The funds were mainly applied for revenue expenditure 84.74 per cent, though its share came down marginally by 3.19 *per cent* in 2000-2001 from 87.93 *per cent* in 1999-2000, it was significantly higher than the share of revenue receipts 67.84 *per cent* in the total receipts of the State Government.

1.5 Revenue receipts

1.5.1 The revenue receipts consist mainly of tax and non-tax revenue and receipts from Government of India (GOI). Their relative shares are shown in Figure 1. The revenue receipts increased by 25.56 *per cent* from Rs.7468 crore (1999-2000) to Rs.9377 crore (2000-2001).

Figure 1
Revenue Receipts 2000-2001
(Rupees in crore)



1.5.2 Tax revenue

These constitute the major share (52 *per cent*) of the revenue receipts. Even though the tax revenue increased from Rs 3947 crore to Rs.4895 crore, during the year its share in revenue receipt decreased by one *per cent* in 2000-2001. The increase in tax revenue during 2000-2001was mainly due to increase in receipt of 'Taxes on Sales and Trades etc.' (Rs.668 crore), 'Stamps and Registration fee' (Rs.98 crore), and 'State Excise' (Rs. 94 crore).

1.5.3 Non-tax revenue

The non-tax revenue constituted 31 *per cent* of the revenue receipts of the Government. It increased from Rs.2362 crore (1999-2000) to Rs.2935 crore during the year (2000-2001). The non tax revenue increased due to increase in Interest Receipts by 32 per cent (Rs.171 crore) and in General Services by 25 per cent (Rs.369 crore) as a result of increase of Rs. 1165 crore under State Lotteries as compared to last year.

1.5.4 State's share of Union taxes and duties and grants-in-aid from the Central Government

The State's share of Union taxes (excise duties and income tax) increased from Rs.639 crore (1999-2000) to Rs.720 crore (2000-2001) while the grants-in-aid from the Central government increased from Rs.520 crore to Rs.827 crore during the said period. The increase in Grants-in-aid from Central government was mainly under Non-Plan grants, Other grants (Rs. 260 crore) and Grants for Plan Schemes (Rs. 78 crore).

1.6 Revenue expenditure

1.6.1 Revenue expenditure increased by 14.88 per cent during the year. Despite this increase (Exhibit IV) revenue expenditure accounts for 87 per cent of total expenditure* compared to 98 per cent in 1996-97. Share of plan revenue expenditure came down from 8 per cent in 1996-97 to 7 per cent in 2000-2001.

1.6.2 Sector-wise analysis shows that during the last five years (1996-2001), while expenditure on General Services increased from 42 per cent in 1996-97 to 56 per cent in 2000-2001, the expenditure on Economic services sharply decreased from 33 per cent (1996-97) to 18 per cent (2000-2001). The increase in expenditure on General Services was mainly due to increase of expenditure under State Lotteries.

1.6.3 Interest payments

Interest payments declined by 11 per cent during the year from Rs. 2637 crore (1999-2000) to Rs. 2343 crore (2000-01). The decline in payment of interest was due to Moratorium granted by Government of India on the recommendations of Eleventh Finance Commission on repayments of instalments of debt and interest thereon for the period 2000-05 to enable the State Government to build its economy. However, interest payments constituted 20 per cent of Revenue Expenditure during 2000-2001. The position has been discussed further in the section on financial indicators (Para 1.12).

1.6.4 Financial assistance to local bodies and other institutions

The quantum of assistance provided to different local bodies etc., during the period of five years ending 2000-2001 was as follows:

* Total expenditure = Revenue Expenditure + Capital Expenditure +Loans and Advances disbursed

(Rupees in crore)

	1996-97	1997-98	1998-99	1999-2000	2000-2001
Universities and Education Institutions	123.22	89.53	139.01	321.86	241.72
Municipal Corporations and Municipalities, Zila Parishad and Panchayati Raj Institutions	0.26	0.40	4.39	-	20.29
Cooperative Societies and Cooperative Institutions	-	-	-	-	-
Other Institutions	0.14	5.75	68.94	54.52	95.38
Total	**123.62**	**95.68**	**212.34**	**376.38**	**357.39**
Percentage of growth over previous year	(-) 31	(-) 23	122	77	(-)5
Assistance as per percentage of revenue expenditure	2	1	3	4	3

The assistance decreased sharply during 2000-2001 mainly on account of decline in grants to universities and educational institutions.

1.7 Capital expenditure

Capital expenditure generally leads to asset creation. In addition, financial assets arise from moneys invested in institutions or undertakings outside Government i.e. public sector undertakings (PSUs), corporations, etc. and loans and advances. The capital expenditure increased by 217 per cent during the year. This increase was due to heavy expenditure under non-plan (Rs. 695.37 crore) on procurement and supply of food included under major head "4408-Capital Outlay on Food Storage and Warehousing". Although expenditure on procurement of foodgrains by definition is of capital nature and receipts on account of selling thereof are adjusted in accounts as deduct recoveries as and when realised, it has to be seen in the light that such heavy expenditure on this account is without creation of durable assets. Further, the possible deterioration of foodgrains due to prolonged storage can not also be ruled out. However, as compared to 1997-98, even though the capital expenditure increased by 44 *per cent* in 2000-2001 its share in total expenditure remained the same at 11 per cent during the same period.

1.8 Loans and Advances by the State Government

The Government gives loans and advances to Government companies, corporations, local bodies, autonomous bodies, cooperatives, non-Government institutions, etc., for developmental and non-developmental activities. The position for the last five years given below shows that the poor position of recoveries had led to continuous increase in outstanding amounts from year to year.

(Rupees in crore)

	1996-97	1997-98	1998-99	1999-2000	2000-2001
Opening balance	4347	4694	4707	4725	4795
Proforma adjustment		(-)11	+7	(+)42 [3]	-
Amount advanced during the year	429	119	118	137	302
Amount repaid during the year	82	95	107	109	127
Closing balance	4694	4707	4725	4795	4970
Net addition	347	24	11	28	175
Interest received	1357	884	15	447	618

[3] Increased by Rs.41.62 crore from the closing balance adopted in Finance Accounts 1998-99

The table shows that the interest received on these loans has been erratic during 1996-2001. However, increase in the interest received on loans during the period was mainly due to adjustment of interest payable by Punjab State Electricity Board to Government as given at para 1.9.4 against subsidy payable to them by the Government. Infact there was no cash realisation on this account.

Out of total outstanding loans of Rs. 4970 crore as on 31March 2001, Rs. 3785 crore (76 per cent) was advanced to Punjab State Electricity Board, which could not be repaid by the Board, because of financial constrains. Similarly out of Rs. 251 crore advanced to Punjab State Tube well Corporation (PSTC) Rs. 214 crore advanced between 1990-91 and 1998-99, recovery could not be affected due to non-settlement of terms and conditions. Balance amount of Rs. 37 crore could not be recovered, as PSTC had no source of income.

The administrative departments are required to intimate to the Principal Accountant General (A&E) by 10th of August each year the arrears in recovery of principal and interest for the loans, the detailed accounts of which are maintained by the departmental officers. Against 151 statements relating to 2000-2001 due from 20 departmental officers, none had been received (July 2001). According to the statements received, recovery of Rs.127.12 crore (including Rs.99.18 crore as interest) was overdue as on 31 March 2001. Major portion (Rs.3784.82 crore) of the outstanding loan relate to Loans for Power Projects against which repayment during the year 2000-2001 was negligible[4].

1.9 Quality of Expenditure

1.9.1 Government spends money for different activities ranging from maintenance of law and order and regulatory functions to various developmental activities. Government expenditure is broadly classified into Plan and Non-plan and Revenue and Capital. While the Plan and Capital expenditure are usually associated with asset creation, the Non-Plan and Revenue expenditure are identified with expenditure on establishment, maintenance and services. By definition, therefore, in general, the Plan and Capital expenditure can be viewed as contributing to the quality of expenditure.

1.9.2 Wastage in public expenditure, diversions of funds and funds blocked in incomplete projects would also impinge negatively on the quality of expenditure. Similarly, funds transferred to Deposit heads in the Public Account, after booking them as expenditure, can also be considered as a negative factor in judging the quality of expenditure. As the expenditure was not actually incurred in the concerned financial year it should be excluded from the figures of expenditure for that year. Another possible indicator is the increase in the expenditure on General services, to the detriment of Economic and Social Services.

[4] Rs. 0.20 crore only.

1.9.3 The following table lists out the trend in these indicators:

(Rupees in crore)

	1996-97	1997-98	1998-99	1999-2000	2000-2001
1.Plan expenditure:(Total of Revenue +Capital)	814	1429	1498	1401	1526
2. Capital expenditure (*per cent*)	(-)4	11	12	4	11
3. Expenditure on General services (Total of Revenue +Capital)	2944	3678	4433	5620	6574
4. Amount of wastages and diversion of funds detected during test audit	102.37	134.87	40.57	140.25	66.35
5. Non-remunerative expenditure on incomplete projects (Capital works)	0.78	62.08	101.52	1380	548

It would be seen from Exhibit IV that Plan expenditure on capital side has decreased by 21 per cent (Rs.877 crore to Rs.697 crore) during 2000-2001 as compared to 1997-98 and Revenue expenditure on General Services has increased by 79 per cent (Rs.3643 crore to Rs.6531 crore) during the same period which indicates that most of the expenditure is on revenue side and very little funds were available for asset formation. Rs. 548 crore were blocked in ten incomplete projects. These projects were incomplete for want of funds indicating that the Government spread its resources very thinly and has no money to complete the projects as per schedule. Test check of the records of the Irrigation department revealed that there was lack of planning and control over the expenditure during 2000-01 as there was an excess of Rs. 321.95 crore over budget grant which requires regularisation.

1.9.4 Subsidies

Trend of subsidies paid during the last five years was as under:

(Rupees in crore)

Year	Revenue Expenditure	Capital Expenditure	Total	Subsidies paid	Percentage of total Expenditure
1996-97	6926	(-)239	6687	1341.59	20.06
1997-98	7835	970	8805	2.46	0.028
1998-99	8384	1140	9524	3.70	0.039
1999-2000	10195	439	10634	404.50	3.80
2000-2001	11713	1393	13106	604.58	4.61

Subsidy paid during the year pertained to Rural Electrification made by the Punjab State Electricity Board. However, the subsidy given by Government during the year was adjusted as recovery of interest on loan for the year 1997-98. Subsidies which were less than 0.1 per cent of the total expenditure in 1997-98 rose substantially to 4.61 per cent in 2000-2001. Government needs to consider how long it can carry the increasing burden of subsidy considering its constrained fiscal resources.

1.10 Financial Management

The issue of financial management in the Government should relate to efficiency, economy and effectiveness of its revenue and expenditure operations. Subsequent chapters of this report deal extensively with these issues especially as they relate to the expenditure management in the Government. Some other parameters, which can be segregated from the accounts and other related financial information of the Government, are discussed in this section.

1.10.1 Fiscal Reforms Programme

Under the Fiscal Reforms Programme initiated by GOI, a Memorandum of Understanding (MOU) reached (April 1999) between Governments of India and Punjab to shore up revenues and reduce expenditure of the State. During the financial year 1999-2000, State Government had made certain commitments. Audit scrutiny disclosed that:

(i) The subsidy to industry was proposed to be reviewed by withdrawing tax concessions, for which detailed strategy was to be finalised before the end of the first quarter of 1999-2000. Even though Cabinet Sub Committee on strategy of fiscal management had set the objective of eliminating non-merit subsidy in a phased manner, no tax concession/subsidy has been withdrawn so far.

(ii) Against the commitment of reduction in Non-plan Revenue Expenditure, it increased by 16 per cent over previous year's level indicating that fiscal measures taken by the Government failed to achieve the desired results.

(iii) to arrest the growth of Public debt, and to lay down the guidelines and priorities for loans and guarantees to be undertaken during the year and fix their limit, the State government formed a High Power Committee in May 1999. However, no guidelines and priorities for borrowings and guarantees has been undertaken and their limits fixed as required under Article 293(I) of the Constitution.

(iv) water charges were proposed to be introduced in a phased manner to achieve economic pricing of Irrigation Water, at least to cover the O&M charges. Neither has been any scheme introduced so far nor any policy for economic prices of water charges been framed. The matter is still under consideration of the government.

1.10.2 Investments and returns

Investments are made out of its capital outlay to promote developmental, manufacturing, marketing and social activities. The sector-wise details of investments made and the number of concerns involved were as under:

(Rupees in crore)

S.No	Sector	Number of concerns	Investments as on 31.3.2001	Increase/decrease over the previous year
1	Statutory Corporations	10	1775.38	(-) 0.50
2	Government Companies	23	337.10	25.10
3	Joint Stock Companies	15	1.39	-
4	Cooperative Institutions	8020	221.27	2.73
	Total	**8068**	**2335.14**	**27.33**

The details of investments and the returns realized during the last five years by way of dividend and interest were as follows:

(Rupees in crore)

Year	Invest-ment	Return	Percentage of return	Rate of interest on Government borrowings
1996-97	2283.31	0.83	0.04	13.85 & 13.75
1997-98	2312.89	2.17	0.09	13.05 & 12.30
1998-99	2341.53	1.18	0.05	12.15, 12.50 & 12.47
1999-2000	2307.81	9.15	0.40	12.25, 11.85 & 11
2000-2001	2335.14	2.33	0.10	11, 10.52, 12

Thus, while the Government was raising high cost borrowings from the market, its investments in Government companies etc., fetched insignificant returns. The returns decreased from Rs.9.15 crore in 1999-2000 to Rs.2.33 crore in 2000-01. The decrease was due to less receipt of dividends from Cooperative Institutes. As on 31 March 2001, 14 out of 23 Government companies in which Government had invested Rs.284.95 crore, (Appendix-II) were running under loss and the accumulated loss was Rs.335.16 crore up to March 2001.

1.10.3 Financial results of irrigation works

The financial results of 9 major irrigation projects with a capital outlay of Rs.208.40 crore at the end of March 2001 showed that revenue realised from these during 2000-2001 (Rs.9.03 crore) was only 4.33 *per cent* of the capital outlay and was an insignificant part of even the direct working expenses (Rs.94.02 crore). After meeting the working and maintenance expenditure (Rs.94.02 crore) and interest charges (Rs.14.36 crore), the projects suffered a net loss of Rs.99.35 crore.

1.10.4 Incomplete projects

As of 31 March 2001 there were 10 incomplete projects in which Rs.548 crore were blocked. The projects scheduled to be completed in March 2000 have not been completed so far for want of funds which shows that the Government was spreading its resources thinly, consequently failing to yield any return.

1.10.5 Arrears of revenue

The arrears of revenue pending collection accounted for sizable percentage of the tax and non-tax revenue receipts (44 *per cent* during 2000-2001). Exhibit IV shows that though the position had slightly improved during 1996-97 and 1997-98 it worsened during 1998-99 and 1999-2000. Of the arrears of Rs.3438.51 crore as of March 2001, Rs.456.59 crore (13 *per cent*) were pending for more than five years and pertained mainly to Taxes on Sales & Trades etc. (Rs.100.16 crore) and interest receipts (Rs.313.04 crore). The overall deterioration in the position of arrears of revenue partially neutralized the increase in the revenue collection of the State government.

1.10.6 Ways and Means Advances and overdraft

Under an agreement with the Reserve Bank of India, the State Government had to maintain with the Bank a minimum daily cash balance of Rs.1.56 crore. If the balance fell below the agreed minimum on any day, the deficiency had to be made good by taking Ways and Means Advances/Special Ways and Means Advances from the Bank. In addition, overdrafts are also made by the Bank whenever necessary. Recourse to Ways and Means Advances/overdrafts means a mismatch between the receipts and expenditure of the Government, and hence reflects poorly on the financial management in Government.

During the year 2000-2001, the Government took Ways and Means Advances on 146 days (Rs.2170.77 crore) and overdrafts on 107 days (Rs.1600.10 crore) as compared to Ways and Means Advances on 166 days (Rs 1851.66 crore) and Overdrafts on 84 days (Rs 1178.22 crore) during the year 1999-2000. Ways and Means Advance of Rs.243.42 crore and Overdraft of Rs.48.37 crore were outstanding on 31 March 2001. The interest of Rs.9.21 crore was paid on ways and means advances and the Overdrafts during the year.

1.10.7 Deficit

1.10.7.1 Deficits in Government account represent gap between the receipts and expenditure. The nature of deficit is an important indicator of the prudence of financial management in the Government. Further, the ways of financing the deficit and the application of the funds raised in this manner are important pointers of the fiscal prudence of the Government. The discussion in this section relates to three concepts of deficit viz., Revenue Deficit, Fiscal Deficit and Primary Deficit.

1.10.7.2 The Revenue Deficit is the excess of revenue expenditure over revenue receipts. The Fiscal Deficit may be defined as the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid received). Primary Deficit is fiscal deficit less interest payments. The following exhibit gives a break-up of the deficit in Government account

(Rupees in crore)

CONSOLIDATED FUND				
Receipt	**Amount**		**Disbursement**	**Amount**
Revenue	9377	**Revenue deficit: 2336**	Revenue	11713
Misc. capital receipts			Capital	1393
Recovery of loans & advances	127		Loans & advances disbursement	302
Sub Total	9504	**Gross fiscal deficit:3904**	Sub Total	13408
Public debt receipt	4996*		Public debt repayment	1468
Total	14500	**A: Deficit in CF: 376**		14876
CONTINGENCY FUND				
Contingency Fund	---	**B. Surplus Contingency Fund : -**	Contingency Fund	---
PUBLIC ACCOUNT				
Small savings, PF etc.	1257		Small savings, PF etc.	615
Deposits & advances	1727		Deposits & advances	1748
Reserve funds	96		Reserve funds	87
Suspense & misc.	7195		Suspense & misc.	7265
Remittances	774		Remittances	644
Total Public Account	11049	**C: Deficit in CF financed by Surplus Public Account: 690**		10359
Increase in cash balance C-(A-B) : 314				

The Table shows that Rs.4218 crore available from net proceeds of the Public Debt (Rs.3528 crore) and surplus from Public Account (Rs.690 crore) went to finance the fiscal deficit (Rs.3904 crore) and resulted in increase in cash balance

* Note:-Public debt receipts including net transactions under W&M Advances and overdraft.

by Rs 314 crore. Exhibit IV shows that though revenue deficit declined as compared to previous year yet it was significantly higher than in 1996-97.

1.10.7.3 The fiscal deficit represents total net borrowings of the Government. These borrowings are applied for meeting the Revenue Deficit (RD), for making the Capital Expenditure (CE) and for giving loans to various bodies for developmental and other purposes. The relative proportions of these applications would indicate the financial prudence of the State Government and also the sustainability of its operations as continued borrowing for revenue expenditure would not be sustainable in the long run. The following table shows the position in respect of the Government of Punjab for the last five years.

Ratio	1996-97	1997-98	1998-99	1999-2000	2000-2001
RD/FD	0.93	0.60	0.69	0.85	0.60
CE/FD	(-)0.16	0.39	0.30	0.14	0.35
Net loans/FD	0.23	0.01	0.01	0.01	0.05
Total	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**

Sixty *per cent* of borrowed funds were applied to revenue expenditure to the detriment of capital expenditure. Though RD/FD Ratio showed marginal decline yet it is still very high and the revenue expenditure is required to be controlled otherwise the capital formation is bound to suffer and the financial condition of the Government will further deteriorate.

1.10.8 Guarantees given by the State Government

Guarantees are given by the State Government on the security of the Consolidated Funds of the State for discharge of certain liabilities like repayment of loans, share capital, etc. raised by the Statutory Corporations, Government Companies and Cooperative Institutions etc. and payment of dividend and interest by them. These constitute contingent liabilities on the revenue of the State. Exhibit –IV shows that the amount of outstanding guarantees increased from Rs. 5732 crore in 1996-97 to Rs. 8990 crore in 2000-2001 and amounted to 96 per cent of the revenue receipts (Rs. 9377 crore) of the State Government. Test check of records of the Finance Department and information collected from Loanee Institutions revealed the following:

1.10.8.1 Non-prescribing of maximum limit of the guarantees.

Under Article 293 of the Constitution the Government may give guarantees within the limits as prescribed by the State Legislature. It was, however, seen in audit that neither any law prescribing the maximum limit up to which the Government may give guarantee on the security of the Consolidated Fund of the State has been passed nor the State Government has formulated any policy guidelines for giving guarantee and checks to be exercised for this purpose. On being pointed out in audit the department stated that the matter regarding formulation of Policy guidelines for giving guarantees is under consideration of the Government.

1.10.8.2 Non-maintenance of records.

Finance department /Administrative department did not maintain any consolidated record except individual case files for guarantees given by the Government and for collection of guarantee fee. In the absence of any consolidated information/record, the Finance Department has been collecting information/details of guarantees from loanee Institutions through Administrative

Department for incorporation in the Finance Account. As such the correctness of the figures of guarantees could not be ascertained in audit. This indicated that there was no effective monitoring of the guarantees given by the State Government.

1.10.8.3 Non-recovery of guarantee fee

In consideration of guarantees given by the Government, guarantee fee is charged. It was seen in audit that guarantee fee amounting to Rs. 14.05 crore on loans of Rs.1295.47 crore guaranteed by the State Government had not been paid by four* institutions due to either paucity of funds (Rs. 11.85 crore) or the case for waiving off was under consideration of the State Government (Rs.0.20 crore) and balance amount was to be adjusted against dues recoverable from the Government (Rs.2 crore)

1.10.8.4 Default in repayment of loan and cash credit

Three institutions had not repaid the loans/cash credit raised (Rs. 1394.38 crore) with the guarantees given by the State Government due to non release of funds by the state Government (Tube well Corporation), food grains has not been lifted by the F.C.I. (Punjab Agro Industries Corporation) and non-receipt of installments from Municipal Corporation (Punjab Water Supply and Sewerage Board).

1.10.8.5 Guarantees to unviable units

State Government stood guarantee for six** cooperative spinning mills. In the event of failure of these mills to repay the loans raised from IDBI, IFCI and ICICI, the Government had to provide financial assistance in the shape of loans during 1999-2000 (Rs.12.47 crore) and 2000-2001 (Rs.7.80 crore) for one time settlement and payment of Rs. 21.76 crore was made to IDBI (Rs. 10.63 crore), IFCI (Rs. 5.69 crore) and ICICI (Rs. 5.44 crore) against the loans raised by these institutions on the guarantees given by the State Government.

1.10.8.6 Guarantees to loss making units

Government had given guarantees to loan/cash credit raised by the following loss making units:

Sr. No.	Name of the institution	Outstanding guarantees as on 31.3.2001	Loss incurred	
			Amount	At the end of the year
		(Rupees in crore)		
1.	Punjab State Civil Supplies Corporation Limited.	6021.24	134.04	1996-97
2.	Punjab State Tube well Corporation Limited.	60.00	35.09	1996-97
3.	Punjab Agro Industries Corporation Limited.	1288.33	13.90	1999-2000
4.	Punjab State Industrial Development Corporation Limited.	321.35	33.04	1999-2000

* The Punjab Backward Classes and Development and Finance Corporation (Rs.0.20 crore), Punjab State Industrial Corporation (Rs.2.00 crore), P.S.E.B. (Rs.10.45 crore) and Punjab State Container and Warehousing Corporation (Rs.1.40 crore).

** Abohar, Barnala, Goindwal Sahib, Kotkapura, Mansa and Malout.

Reasons for standing guarantee for loss making units, called for (September 2001) from the government, were awaited (November 2001).

1.11 Public debt

1.11.1 The Constitution of India provides that a State may borrow within the territory of India, upon the security of Consolidated Fund of the State within such limits, if any, as may from time to time, be fixed by an Act of Legislature of the State. No law had been passed by the State Legislature laying down any such limit. The details of the total liabilities of the State Government as at the end of the last five years are given in the following table. During the five- year period, the total liabilities of the Government had grown by 86 *per cent.* This was on account of 402 *per cent* growth in internal debt, 18 *per cent* growth in loans and advances from Government of India and 141 *per cent* growth in other liabilities. During 2000-2001, Government borrowed Rs.361.71 crore in the open market at interest rates of 10.52 and 12 *per cent* per annum as against Rs.580.50 crore at the interest rate of 12.25, 11.85 and 11 per cent per annum during 1999-2000.

(Rupees in crore)

Year	Internal debt	Loans and advances from Central Government	Total public debt	Other liabilities	Total liabilities	Ratio of debt to GSDP
1	2	3	4 (2+3)	5	6	7
1996-97	1914	11049	12963	2630	15593	0.35
1997-98	2392	11979	14371	3486	17857	0.37
1998-99	4150	13057	17207	4498	21705	0.40
1999-2000	6077	13016	19093	5711	24804	0.40
2000-2001	9612	13008	22620	6337	28957	0.42

1.11.2 The amount of funds raised through Public debt, the amount of repayment and net funds available are given in the following table:

(Rupees in crore)

	1996-97	1997-98	1998-99	1999-2000	2000-2001
Internal Debt					
-Receipt	2750	2902	6387	4684	8134
-Repayment (principal+interest)	2924	2639	5050	4939	5234
-Net funds available (*per cent*)	(-)174 -	263 (9)	1337 (21)	(-)255	2900 (36)
Loans & advances from GOI					
- Receipt during the year	1518	1454	2360	2802	624
- Repayment including interest	1603	1868	2795	2832	1820
- Net funds available (*per cent*)	(-)85	(-)414	(-)435	(-)30	(-)1196
Other liabilities[5]					
- Receipt during the year	1721	2714	2404	3603	2986
- Repayment (including interest)	1518	2148	1773	2856	2882
- Net funds available (*per cent*)	203 (12)	566 (21)	631 (26)	747 (21)	104 (3)

5 Other liabilities include small savings, provident funds, reserve funds and deposits, etc.

It would be seen that during the year 2000-2001, the receipt of loans and Advances sharply declined by 78 per cent during the year as a result of which the net availability of funds from the Loans and Advances from Government of India was negative. Considering that the outstanding debt has been increasing year after year, the situation regarding net availability of funds through public borrowings is not satisfactory.

1.12 Indicators of the financial performance

1.12.1 A Government may either wish to maintain its existing level of activity or increase its level of activity. For maintaining its current level of activity it would be necessary to know how far the means of financing are sustainable. Similarly, if Government wishes to increase its level of activity it would be pertinent to examine the flexibility of the means of financing and finally, Government's increased vulnerability, in the process. All the State Governments continue to increase the level of their activity principally through Five Year Plans which translate to Annual development plans and are provided for in the State Budget. Broadly, it can be stated that non-plan expenditure represents Government maintaining the existing level of activity[6], while plan expenditure entails expansion of activity. Both these activities require resource mobilization increasing Government's vulnerability. In short, financial health of a Government can be described in terms of sustainability, flexibility and vulnerability. These terms are defined as follows:

(i) Sustainability

Sustainability is the degree to which a Government can maintain existing programmes and meet existing creditor requirements without increasing the debt burden on the Government.

(ii) Flexibility

Flexibility is the degree to which a Government can increase its financial resources to respond to rising commitments by either expanding its revenues or increasing its debt burden.

(iii) Vulnerability

Vulnerability is the degree to which a Government becomes dependent on and therefore vulnerable to sources of funding outside its control or influence, both domestic and international.

(iv) Transparency

There is also the issue of financial information provided by the Government. This consists of annual Financial Statement (Budget) and the Accounts.

6 There are exceptions to this, notably transfer of Plan to the Non-Plan at the end of Plan period.

Exhibit V-Financial indicators for Government of Punjab

	1996-97	1997-98	1998-99	1999-2000	2000-2001
(1)	(2)	(3)	(4)	(5)	(6)
Sustainability					
BCR (Rs. in crore)	(-)1087	(-)1184	(-)2308	(-)2254	(-)1893
Primary Deficit (PD) (Rs. in crore)	(-)170	629	1463	557	1561
Interest Ratio	0.04	0.16	0.39	0.30	0.19
Capital outlay/Capital receipts	(-)0.09	0.32	0.31	0.10	0.27
Total Tax receipts/GSDP	0.07	0.08	0.07	0.07	0.08
State Tax Receipts/GSDP	0.06	0.06	0.06	0.06	0.07
Return on Investment ratio	0.0004	0.0009	0.0005	0.003	0.001
Flexibility					
BCR (Rs. in crore)	(-)1087	(-)1184	(-)2308	(-)2254	(-)1893
Capital repayments/Capital borrowings	0.43	0.43	0.34	0.37	0.24
State tax receipts/GSDP	0.06	0.06	0.06	0.06	0.07
Debt/GSDP	0.35	0.37	0.40	0.40	0.42
Vulnerability					
Revenue Deficit(RD) (Rs. in crore)	1357	1484	2629	2727	2336
Fiscal Deficit(FD) (Rs. in crore)	1465	2478	3780	3194	3904
Primary Deficit(PD) (Rs. in crore)	(-)170	629	1463	557	1561
PD/FD	(-)0.12	0.25	0.39	0.17	0.40
RD/FD	0.93	0.60	0.70	0.85	0.60
Outstanding Guarantees/revenue receipts	1.03	0.79	0.59	1.33	0.96
Assets/Liabilities	0.71	0.66	0.60	0.55	0.53

Notes:

1. The interest payments in 1996-97 were more than the fiscal deficit, hence the negative figures for primary deficit.
2. Fiscal deficit has been calculated as Revenue expenditure + Capital expenditure + Net loans and advances – Revenue receipts.
3. In the ratio Capital outlay vs. Capital receipts, the denominator has been taken as Internal loans + Loans and Advances from Government of India + Net receipts from small savings, PF etc., + Repayments received from loans advanced by the State Government – Loans advanced by State Government.

1.12.2 Information available in Finance Accounts (Appendix-I) can be used to flesh out Sustainability, Flexibility, and Vulnerability which can be expressed in terms of certain indices/ratios worked out from the Finance Accounts. The list of such indices/ratios is given in the Exhibit V which indicates the behaviour of these indices/ratios over the period from 1996-97 to 2000-2001.

1.12.3 The implication of these indices/ratios for the state of financial health of the State Government are discussed below.

(i) Balance from current revenues (BCR)

BCR is defined as revenue receipts minus plan assistance grants minus non-plan revenue expenditure. A positive BCR shows that the State Government has surplus from its revenues for meeting plan expenditure. The table shows that the State Government had no balance from current revenue during the last 5 years and the negative BCR was increasing since 1996-97 touching a level of Rs.2308 crore in 1998-99. However, it marginally declined during 1997-2000 and 2000-2001 and stood at Rs.1893 crore in 2000-2001. Thus Government had to depend more and more on borrowings for meeting its plan expenditure.

(ii) Interest ratio

The higher the ratio, the lesser the ability of the Government to service any fresh debt and meet its revenue expenditure from its revenue receipts. In case of Punjab, the ratio had increased from 0.04 in 1996-97 to 0.39 in 1998-99 but dipped to 0.19 in 2000-01 because of moratorium of 5 years granted by Government of India to State Government on repayment of loan and interest there on. The burden is likely to go up once the moratorium expires.

(iii) Capital Outlay/Capital Receipts

This ratio would indicate to what extent the capital receipts are applied for capital formation. A ratio of less than one would not be sustainable in the long term in as much as it indicates that a part of the capital receipt is being diverted to unproductive revenue expenditure. On the contrary, a ratio of more than one would indicate that capital investments are being made from revenue surplus as well. The trend analysis of this ratio would throw light on the fiscal performance of the State Government. A rising trend would mean an improvement in its performance. In the case of Punjab, the ratio has been less than one (mostly well below 0.40) indicating that most of the capital receipts are being used for revenue expenditure and are not available for capital formation or investment.

(iv) Tax receipts Vs Gross State Domestic Product (GSDP)

Tax receipts consist of state taxes and state's share of central taxes. The latter can also be viewed as central taxes paid by people living in the state. Tax receipts suggest sustainability. But the ratio of tax receipts to GSDP would have implications for flexibility as well. While a low ratio would imply that the Government can tax more, and hence its flexibility, a high ratio may not only point to the limits of this source of finance but also its inflexibility. Exhibit-V shows that in case of Punjab this ratio has marginally increased from 0.07 in 1996-97 to 0.08 in 2000-2001. Similarly, the ratio of state tax receipts to GSDP has also increased from 0.06 to 0.07 during the same period.

(v) Return on Investment (ROI)

The ROI is the ratio of the earnings to the capital employed. A high ROI suggests sustainability. The table in paragraph 1.10.2 ibid presents the return on Government's investments in statutory corporations, Government companies, joint stock companies and cooperative institutions. It shows that the ROI in case of Government of Punjab has been negligible during 1996-2001.

(vi) Capital repayments Vs Capital borrowings

This ratio would indicate the extent to which the capital borrowings are available for investment, after repayment of capital. The lower the ratio, the higher would be the availability of capital for investment. In case of Punjab Government even though the ratio has declined from 0.43 in 1996-97 to 0.24 in 2000-01, the apparent improvement is due to 5 years (2000-2005) Moratorium granted by GOI on repayment of Special Term Loans and interest accruing thereon and it conceals the substantial debt burden whose impact in terms of higher repayments would be seen in the subsequent years when moratorium granted to Punjab Government is over. Further, most of the borrowings went for revenue expenditure and thus the Government could not benefit from availability of increased funds. The position may not be sustained as repayment liabilities will increase, if the current trend of increased borrowing to meet revenue expenditure is not arrested.

(vii) Debt Vs Gross State Domestic Product (GSDP)

The GSDP is the total internal resource base of the State Government, which can be used to service debt. An increasing ratio of Debt/GSDP would signify a reduction in the Government's ability to meet its debt obligations and therefore increasing risk for the lender. In the case of Punjab, this ratio has increased from 0.35 to 0.42 per cent during 1996-97 to 2000-2001. An analysis of the rate of growth in GSDP from year to year basis shows that the rate of growth in GSDP was 9.64 per cent during 2000-2001 while rate of growth in debt was 16.74 *per cent* during the same period. This shows that the rate of growth in debt was much higher than the growth in GSDP. This would seriously affect the Government's ability for debt repayments.

(viii) Revenue deficit/Fiscal deficit

The revenue deficit is the excess of revenue expenditure over revenue receipts and represents the revenue expenditure financed by borrowings etc. Evidently, the higher the revenue deficit, the more vulnerable is the State. Since fiscal deficit represents the aggregate of all the borrowings, the revenue deficit as a percentage of fiscal deficit would indicate the extent to which the borrowings of the Government are being used to finance non-productive revenue expenditure. Thus, higher the ratio, the worse off the state because that would indicate that the debt burden is increasing without adding to the repayment capacity of the State. During 2000-2001, 60 *per cent* of the borrowings were applied to meet revenue expenditure as compared to 93 *per cent* in 1996-97.

(ix) Primary deficit Vs Fiscal deficit

Primary deficit is the fiscal deficit minus interest payments. Primary deficit represents net borrowings available after discharging interest liability, which results from the current action of the Government (interest payments are on account of past actions of the Government). Primary deficit is sustainable only when the rate of growth in the economy is more than the interest rate on the borrowings. This not being the case, the Primary deficit is not sustainable. Exhibit-V shows that the ratio exhibits an increasing trend and has risen to 0.40 in 2000-2001 from (–) 0.12 in 1996-97. The increasing trend is a contra indicator to sustainability.

(x) Guarantees Vs Revenue receipts

Outstanding guarantees, including the letters of comfort issued by the Government, indicate the risk exposure of a State Government and should therefore be compared with the ability of the Government to pay viz., its revenue receipts. Thus, the ratio of the total outstanding guarantees to total revenue receipts of the Government would indicate the degree of vulnerability of the State Government. Analysis of the reasons of increase in the guarantees are included in para 1.10.5. During 1996-2001 risk exposure of Government has increased due to 57 per cent increase in the amount of outstanding guarantees given on behalf of Statutory Bodies, Government Companies and Co-operative Institutions.

(xi) Assets Vs Liabilities

This ratio indicates the solvency of the Government. A ratio of more than one would indicate that the State Government is solvent (assets are more than the liabilities) while a ratio of less than one would be a contra indicator. As stated in Para 1.2, Government account captures mainly the financial assets and liabilities of the Government. However, a trend analysis of the ratio of even these assets and liabilities would be an important indicator of fiscal performance of the State Government. In case of Punjab, this ratio has all along been less than one and on a declining trend from 0.71 in 1996-97 to 0.53 in 2000-2001, indicating a deterioration in the assets and liability management.

(xii) Budget

There was no delay in submission of the budget and their approval. The details are given in the following table:

Preparation	Month of submission	Month of approval
Vote on account	--	--
Budget	22 March,2000	30 March,2000
Supplementary I	15 March, 2001	21 March ,2001
Supplementary II	--	--

The extent of variations in budget estimates and revised estimates for the year 1999-2000 was as follows:

(Rupees in crore)

	Budget Estimate	Revised Estimate	Actuals	Percentage of Variation between BE & RE
Receipt				
Revenue	8450.78	8382.56	7467.86	-0.81
Public Debt	7356.18	9525.43	7485.79	29.49
Expenditure				
Revenue	10282.93	11486.91	10195.27[7]	11.71
Capital	857.93	1150.47	438.86[7]	34.10
Public Debt	5511.42	7374.58	5599.96	33.81

Chapter II of this Report carries a detailed analysis of variations in the budget estimates and the actual expenditure as also of the quality of budgetary procedure and control over expenditure. It indicates defective budgeting and inadequate control over expenditure, as evidenced by persistent resumption (surrenders) of significant amounts every year *vis-a-vis* the final modified grant. Significant variations (excess/saving) between the final modified grant and actual expenditure were also persistent.

(xiii) Accounts

There was no significant delay in the submission of accounts by the treasuries/departments during 2000-2001.

[7] These figures excludes the recoveries and represents the net figures

1.12.4 Conclusion

Persistent negative BCR, almost stagnant tax GSDP ratio and lukewarm approach by Government to implement the fiscal reforms programme (MOU) to reduce expenditure, coupled with huge revenue pending collection, increased fiscal deficit by 22 per cent during the year and forced State Government to borrow more and more. Resultantly, the outstanding Government debt now accounts for 42 per cent of GSDP. Apparent improvement as a result of decline in the interest ratio and Capital repayment Vs Capital borrowings ratio conceals the real debt burden that will arise in future when moratorium of five years granted by the GOI on repayment of Special Term Loans and interest thereon is over. This may put serious constraints on State resources during the subsequent years. if the growth of public debt is not arrested. Most of the increase in capital expenditure during the year was under non-plan (Rs. 695.37 crore) on procurement of foodgrains. While this has increased the capital expenditure to that extent, but the fact remains that no durable capital assets has been created and the potential loss as a result of prolonged storage at high storage cost cannot also be ruled out. Thus most of the borrowings are being spent on non-productive expenditure like revenue expenditure (60 per cent) and non-plan Capital expenditure (17 per cent) and there is little scope of new investments taking place. Since the government investments are yielding virtually nothing and its financial management leaves much to be desired, the sustainability of its finances is severely impaired and current year's improvement masks medium term problems due to m[illegible] [illegible] debt repayments.

CHAPTER – II

CHAPTER - II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

APPROPRIATION ACCOUNTS – 2000-2001 AT A GLANCE

Total No. of grants: 30

Total provision and actual expenditure

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Budget	23110.29	-	20027.96
Supplementary	818.28		-
Total Gross Provision	23928.57	Total Gross Expenditure	20027.96
Deduct -Estimated recoveries in reduction of expenditure	1701.86	Deduct-Actual recoveries in reduction of expenditure	1389.40
Total provision	**22226.71**	**Total net expenditure**	**18638.56**

Voted and Charged provision and expenditure

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	10683.64	2970.16	9706.73	2377.32
Capital	3170.28	7104.49	2712.85	5231.06
Total Gross	13853.92	10074.65	12419.58	7608.38
Deduct recoveries in reduction of expenditure	1701.86		1389.40	
Total: Net	**12152.06**	**10074.65**	**11030.18**	**7608.38**

2.1 Introduction

The Appropriation Accounts are prepared every year indicating the details of amounts on various specified services actually spent by Government vis-a-vis those authorised by the Appropriation Act in respect of both charged as well as voted items of budget.

The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2000-2001 against grants/appropriation was as follows:

(Rupees in crore)

	Nature of expenditure	Original grants/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving
Voted	I. Revenue	10143.34	540.30	10683.64	9706.73	976.91
	II. Capital	2667.76	66.57	2734.33	2611.30	123.03
	III. Loans & Advances	228.33	207.62	435.95	101.55	334.40
Total Voted		13039.43	814.49	13853.92	12419.58	1434.34
Charged	IV. Revenue	2966.37	3.79	2970.16	2377.32	592.84
	V. Capital	0.04	-	0.04	0.01	0.03
	VI. Public Debt	7104.45	-	7104.45	5231.05	1873.40
Total Charged		10070.86	3.79	10074.65	7608.38	2466.27
Grand Total		**23110.29**	**818.28**	**23928.57**	**20027.96**	**3900.61**

Note:- The expenditure includes the recoveries adjusted as reduction of expenditure under revenue expenditure Rs.371.21 crore and capital expenditure Rs.1018.19 crore.

2.3 Results of Appropriation Audit

2.3.1 Savings/excess in grants/appropriations

The overall savings of Rs.3900.61 crore as mentioned in paragraph 2.2 above was the net result of savings of Rs.4467.46 crore in 68 cases of grants and appropriations offset by excess of Rs.566.85 crore in 8 cases of grant and appropriations.

2.3.2 Excess requiring regulations.

(a) Excess over provision relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs.896.55 crore for the years 1996-97 to 1999-2000 had not been regularilsed so far (August 2001).

(Rupees in crore)

Year	No. of grants/ appropriation	Grants/Appropriation No(s)	Amount of excess	Reasons for excess
1996-97	6	9,12,15,21,25,26	254.67	Not received
1997-98	4	1,5,12,21	312.98	Not received
1998-99	6	5,7,8,21,26,28	242.80	Not received
1999-2000	2	21,26	86.10	Not received
Total	**18**		**896.55**	

Possibility of financial irregularities remained unexamined due to failure and long delay in furnishing explanation of un-regularised excess expenditure could not be ruled out.

(b) Excess over provisions during 2000-01 requiring regularisations.

The excess of Rs.566.85 crore under 8 grant and appropriation during the year 2000-01 require regularisation under Article 205 of the Constitution. Details are given below.

Sr.No.	No. and name of Grant/appropriation	Total Grant/ appropriation	Actual expenditure	Excess
		Amount in Rupees		
Revenue (Voted)				
1.	8-Finance	27,17,89,47,000	28,33,20,29,882	1,15,30,82,882
2.	15-Irrigation & Power	8,31,65,26,000	9,33,80,44,302	1,02,15,18,302
3.	21-Public Works	5,83,11,61,000	7,12,64,43,275	1,29,52,82,275
Revenue (Charged)				
4.	07-Excise & Taxation	10,000	1,09,558	99,558
5.	14-Information & Public Relations	23,000	2,73,855	2,50,855
6.	26-State Legislature	11,66,000	12,72,836	1,06,836
7.	27-Technical Education	91,000	1,94,382	1,03,382
Capital (Voted)				
8.	15-Irrigation & Power	7,49,01,26,000	9,68,81,40,772	2,19,80,14,772
	TOTAL	**48,81,80,50,000**	**54,48,65,08,862**	**5,66,84,58,862**

Reasons for the excesses had not been furnished by the Government as of August 2001.

2.3.3 Original budget and supplementary provisions

Supplementary provisions obtained during this year proved unnecessary as the expenditures (Rs. 20027.96 crore) fell short of even the original budget of Rs.23110.29 crore, notwithstanding the fact that it constituted only 3.54 per cent of the original provision as against 19.82 per cent in the previous year.

2.3.4 Unnecessary/excessive/inadequate supplementary provisions.

Supplementary provisions of Rs.285.48 crore made in 21 cases during the year proved unnecessary in view of aggregate saving of Rs.1234.51 crore as detailed in Appendix-III.

In 5 cases, against additional requirement of only Rs.157.51 crore, supplementary grants and appropriations of Rs.307.23 crore were obtained, resulting in savings in each case exceeding Rs.10 lakh, aggregating Rs.149.72 crore. Details of these cases are given in Appendix-IV.

In 2 cases, supplementary provisions of Rs.222.22 crore proved insufficient by more than Rupees one crore in each case leaving an aggregate uncovered excess expenditure of Rs.349.33 crore as per details given in Appendix-V.

2.3.5 Persistent savings

In 21 cases involving 9 grants/appropriations there were persistent savings more than Rs. one crore in each case and 20 per cent or more of provisions. Details are given in Appendix-VI.

2.3.6 Persistent Excesses

Significant excesses were persistent in 6 cases involving one grant as detailed in Appendix-VII. Persistent excess requires investigation by the Government for remedial action.

2.3.7 Significant savings

In 33 cases, expenditure fell short by more than Rupees one crore in each case and also by more than 20 per cent of the total provision as indicated in Appendix-VIII. In the 4 of the above cases (Sr. No. 17, 20, 24 and 30), the entire provision totaling Rs.27.98 crore was not utilized.

2.3.8 Excessive/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. Cases where the re-appropriation of funds proved injudicious in view of final savings/excess over grant by over Rs.10 lakh as detailed in Appendix IX and X respectively.

2.3.9 Anticipated savings not surrendered

*(a)*According to rules, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, at the close of the year 2000-2001, there were 27 cases in which savings above one crore in each case amounting to Rs.3332.76 crore had not been surrendered by the department. In 19 cases even after partial surrender, savings of Rupees one crore and above in each case aggregated Rs.735.12 crore remained unsurrendered. Details are given in Appendix XI and XII respectively.

(b) Besides, in 17 cases, Rs.381.34 crore were surrendered on the last two days of March 2001 indicating inadequate financial control over expenditure. Details are given in Appendix-XIII.

2.4 Short release of Grants by Central Government - Rs.58.13 crore

Tenth Finance Commission recommended grants of Rs.103.35 crore to the State Government to enable them to supplement the resources of Panchayati Raj Institutions (PRIs). The grant was meant to finance development expenditure. As per guidelines the PRIs were required to provide suitable matching contribution. However, during 1999-2000 the contribution of PRIs/State Government was relaxed to one third. During 1996-97, the grant was to be released without pre-condition but during 1997-98 to 1999-2000, grant was to be released on the production of utilisation certificate.

Audit observed that out of total funds of Rs.45.22 crore as detailed in Appendix XIV received from Central Government, State Government did not release funds to the PRIs during 1996-2000. However, Rs.16.50 crore was released during 2000-2001 to PRIs and position regarding utilisations of these funds was still awaited from PRIs. Due to non-release of grants by State Government to PRIs, Central Government did not release the balance grant of Rs.58.13 crore to the State Government, which obviously would have affected the development work of PRIs.

2.5 Trend of Recoveries and Credits

Under the system of gross budgeting followed by Government, the demands for grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries which are adjusted in the accounts as reduction of expenditure. The anticipated recoveries and credits are shown separately in the budget estimates. In 4 grants/appropriations, the actual recoveries adjusted in reduction of expenditure (Rs.632.10 crore) fell short of the estimated recoveries (Rs.1456.41 crore) by Rs.824.31 crore. Further in 4 grants/appropriations though no recoveries were provided in budget estimates for the year 2000-2001, recoveries of Rs.18.05 crore were made. Details are given in Appendix-XV.

2.6 Explanations for saving/excess not received at all

After the close of each financial year, the detailed Appropriation Accounts showing the final grants/appropriations, the actual expenditure and the resultant variations are sent to the Controlling Officers requiring them to explain significant variations under the heads. During the year, Rs.566.85 crore of excess and Rs.4467.46 crore of savings were noticed under 30 grants. The explanations for variations were not received from any of the Controlling Officers (November 2001) of the State.

2.7 Unreconciled Expenditure

Departmental figures of expenditure should be reconciled with those of the Principal Accountant General (Accounts & Entitlements) every month. The reconciliation had, however, remained in arrears in several departments. The number of Controlling Officers who did not reconcile their figures and the amounts involved were as under. During 2000-2001 out of two D.D.O.s one has partially reconciled the expenditure (66 per cent).

(Rupees in crore)

Year	Number of Controlling Officers who did not reconcile their figures	Amounts not reconciled
1992-93	8	693.37
1993-94	31	585.03
1994-95	8	84.52
1995-96	2	66.68
1996-97	12	695.05
1997-98	12	967.63
1998-99	11	578.37
1999-2000	4	27.82
2000-2001	2	1147.74
Total	**90**	**4846.21**

2.8 Defective Re-appropriation

During 2000-2001, 46 re-appropriation orders of Rs.2401.75 crore were issued by the State Government. Of which, 6 orders aggregating Rs.117.10 crore were issued on 31st March 2001, the last day of the fiscal year. 14 re-appropriation orders of the value of Rs.1872.91 crore were incorrect as indicated in Appendix-XVI and hence were excluded from the Draft Appropriation Accounts 2000-2001.

2.9 Rush of Expenditure

The financial rules require that Government expenditure should be evenly distributed throughout the year. The rush of expenditure particularly in the closing months of the financial year is regarded as a breach of financial rules. The position in respect of expenditure (Revenue and Capital) for the 4 quarters and also for the month of March, 2001 is depicted in Appendix-XVII which shows that the expenditure incurred in March, 2001 in 10 cases ranged between 36 and 100 per cent of the total expenditure during the year indicating a tendency to utilise the budget at the close of the financial year.

2.10. Expenditure and Budgetary Control

2.10.1 A review of budgetary procedure and control over expenditure in case of six grants *covering 18 offices of 16** departments revealed that budget estimates due in the month of October were sent to the Finance Department after delays ranging from 3 days to 31 days. The liability register to keep a watch over undischarged liabilities was not maintained by the Drawing and Disbursing Officers operating Grants no. 2, 25 and 29.

2.10.2 Further detailed scrutiny of two departments i.e. Animal Husbandry (Grant no. 2 Animal Husbandry and Fisheries) and Transport (29-Transport) revealed the following irregularities:

(i) Provision for sanctioned strength including vacant posts instead of actual strength.

Budget Manual prescribes that while framing estimates for sanctioned establishments whether permanent or temporary no provision should be made for vacant posts. Funds should be obtained either by supplementary grants or by re-appropriation whenever the vacant posts are filled up.

---

*(1) 2-Animal Husbandry and Fisheries (2) 4-Defence Service Welfare (3) 10-General Administration (4) 25-Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes (5) 27-Technical Education and Industrial Training (6) 29-Transport

** (1) Animal Husbandry (2) Dairy Development (3) Fisheries (4) Sainik Welfare (5) Secretary to Governor (6) Principal Secretary to Chief Minister (7) Chief Secretary to Government Punjab (8) Hospitality Department (9) Punjab Legislative Assembly (10) Public Instructions (11) Welfare of Scheduled Castes and Backward Classes (12) Social Welfare (13) Technical Education and Industrial Training (14)Transport Commissioner (15) Civil Aviation (16) State Transport

In one case (2403-Animal Husbandry) provision of Rs. 78.47 lakh for 160 vacant posts (out of 7084 sanctioned posts) was made in contravention of the rules which resulted in savings in the grant.

(ii) Provision for funds for schemes awaiting sanction.

In 10 cases, provision of funds aggregating to Rs.2.49 crore for the schemes awaiting sanction was made without prior approval of competent authority due to non-clearance/implementation of schemes by Planning/Finance Departments resulting in non-utilization of funds. Details are given in appendix-XVIII

(iii) Non-release of funds by Government

In 16 cases, there was saving of Rs.7.02 crore due to non-release of funds by the Government. Details are given in Appendix-XIX.

(iv) Unnecessary/excessive Supplementary grant.

In 8 cases, Supplementary grants sanctioned proved excessive or unnecessary as details in Appendix-XX :

In view of saving under each head, supplementary grant obtained was either excessive or unnecessary. The reasons for non-utilisation of grants were stated to be due to non-clearance of sanction of selection grade, foreign travel expenses, contingency bills and medical bills and non-release of funds by the Finance Department.

(v) Unrealistic Budgeting

Head of Department is required to prepare Budget Estimates based on actual expenditure in the two years preceding the year just closed, the last six months of previous year and first six months of current year. It was noticed in audit that Budget Estimates were not submitted by the Director, Animal Husbandry systematically as per prescribed procedure as these were framed on the basis of expenditure for one year.

2.10.3 Substantial savings in grant/appropriation.

In 22 cases savings exceeding Rs. 1 crore in each case and also by more than 10 per cent of total provision amounted to Rs.394.22 crore as detailed in Appendix-XXI. In 12 of the above cases (Sr. No. 11 to 22) the entire provision totalling Rs.28.99 crore was not utilized.

2.10.4 Persistent savings in grant/appropriation.

In 32 cases, there was persistent saving exceeding Rs.10 lakh in each case and 20 per cent or more of the provision during the last three years. Details are given in Appendix-XXII. In 11 of the above cases (Sr. No. 22 to 32) entire provision totalling Rs.39.54 crore remained unutilized.

2.10.5 Unusual excess over budget provision

In 6 cases, expenditure aggregating to Rs.6.43 crore exceeded the approved provision by Rs.25 lakh or more in each case and also by 10 percent of the total provision. Details of these cases are given in Appendix-XXIII. It was noticed that in 4 cases (1,2,3, and 5) though grants were reduced by re-appropriation yet expenditure was incurred on the basis of original grants. Thus re-appropriation made proved injudicious.

2.10.6 Expenditure without budget provision

As envisaged in Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of Rs.302.46 crore (Voted) and Rs.20.02 crore (Charged) was incurred in 21 and 10 cases respectively as detailed in Appendix-XXIV without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

CHAPTER – III

CIVIL DEPARTMENT

SECTION – A
REVIEWS

SECTION – B

CHAPTER-III

CIVIL DEPARTMENTS

SECTION 'A' - REVIEWS

ANIMAL HUSBANDRY DEPARTMENT

3.1 Veterinary And Animal Health Services In Punjab

Highlights

The main objective of the department is to provide veterinary and animal health services to livestock through clinical treatment, regular vaccinations, artificial inseminations and castration of bulls. For achievement of this goal 9 polyclinics, 1364 veterinary hospitals, 1431 veterinary dispensaries and 45 mobile units have been established in the State. A review of veterinary and animal health services indicated poor implementation of Plan schemes. The health care service provided at the doorstep of farmers through mobile units had almost collapsed because only 4 out of 22 mobile vans were in working order. There was shortfall of 80 per cent in foot and mouth disease (FMD) vaccinations. Consequently FMD broke out in 1998 and 1073 cattle head perished. Some significant findings are given below:

- **Of the total Plan provision of Rs.143.28 crore during 1996-2001, Rs.90.52 crore (63 per cent) remained unutilized. Non-plan expenditure increased by 101 per cent over the same period.**

(Paragraph 3.1.4.1)

- **While Central assistance ranging between Rs. 1.56 crore and Rs. 7.45 crore was retained by Government during 1996-97 to 2000-01, the unplanned implementation of schemes resulted in blockade of money (Rs.63.83 lakh), unproductive investment (Rs.4.24 crore) and unfruitful expenditure of Rs. 24.38 lakh.**

(Paragraphs 3.1.4.2, 3.1.16, 17 & 18)

- Shortfall in treatment of animals ranged between 32 and 44 per cent. Due to inadequate FMD vaccinations, 1073 cattle head perished.

(Paragraph 3.1.5)

- Expenditure on medicines decreased from Rs.4.88 crore in 1997-98 to Rs.0.89 crore in 2000-2001, which was indicative of deterioration in animal health services.

(Paragraph 3.1.6)

- Department drew Rs. 3.69 crore on 61 abstract contingent bills for purchase of material, machinery and equipments from Government treasuries during 1994-2001, but did not submit detailed contingent bills. Inordinate delay in submission of bills indicated lack of control and monitoring at Director's level.

(Paragraph 3.1.7)

- Polyclinics in districts of Amritsar, Mansa and Moga were lying incomplete for the last 3 to 7 years resulting in blockade of Rs.0.73 crore.

(Paragraph 3.1.8)

- The scheme of providing animal health care at the door steps of the farmers through mobile health care units had not yielded desired results, as out of 22 mobile vans only 4 were in working order.

(Paragraph 3.1.10)

- Poor planning in deployment of veterinary staff not only resulted in irregular expenditure of Rs.1.65 crore but also deprived the animals of the veterinary care.

(Paragraph 3.1.11)

3.1.1 Introduction

The main objectives of the department are inter alia to (a) improve the genetic potential of livestock through scientific breeding (b) provide efficient and effective health cover to the livestock (c) provide improved feeding management practices and effective extension services in the field of Animal Husbandry. To achieve the above objectives, the activities undertaken by the department were to improve health care of livestock through clinical treatment, providing regular vaccinations, conduct artificial insemination and castration of scrub bulls.

3.1.2 Organisational set up

At Secretariat level, Secretary to Government (Department of Animal Husbandry) is responsible for monitoring and implementation of activities of the department. Director Animal Husbandry (Director) is Head of the Department as well as Controlling Officer and is assisted at State level by 4 Joint Directors, one Deputy Director (Statistics) and at district level by 17 Deputy Directors (DDs), Joint Director, State Animal Health Institute, Jalandhar, Deputy Director Vaccine Institute, Ludhiana and Deputy Director (Farms) Mattewara (Ludhiana).

3.1.3 Scope of audit

Mention was made in Report of Comptroller and Auditor General of India for the year 1999-2000 regarding working of Government Livestock Farms in Animal Husbandry Department. The functioning of the department relating to veterinary and animal health care services was reviewed between October 2000 and March 2001 by test check of records in the Directorate, and 7[1] districts (out of 17) for the period 1996-2001. The results are mentioned in the succeeding paragraphs.

3.1.4 Financial management and control

3.1.4.1 Budget and expenditure

(i) The budget allocated by the Finance and Administrative Departments is released by the Director to the Drawing and Disbursing Officers (DDOs). The department implements schemes and programmes funded by the State and Central Government. Budget provision vis-à-vis expenditure incurred by the department during 1996-2001 was as under: -

(Rupees in crore)

Year	Budget provision			Expenditure			Excess (+)/ Savings (-)		Net
	Plan	N Plan	Total	Plan	N Plan	Total	Plan	N Plan	-
1996-97	20.57	39.08	59.65	9.55	41.27	50.82	(-)11.02	(+)2.19	(-)8.83
1997-98	24.15	53.90	78.05	14.24	55.15	69.39	(-)9.91	(+)1.25	(-)8.66
1998-99	30.83	73.45	104.28	7.72	74.98	82.70	(-)23.11	(+)1.53	(-)21.58
1999-2k	31.61	72.95	104.56	6.98	71.00	77.98	(-)24.63	(-)1.95	(-)26.58
2000-01	36.12	83.87	119.99	14.27	82.80	97.07	(-)21.85	(-)1.07	(-)22.92
Total	**143.28**	**323.25**	**466.53**	**52.76**	**325.20**	**377.96**	**(-)90.52**	**(+)1.95**	**(-)88.57**

(ii) Non plan expenditure of the department which consisted mainly of salaries of staff increased from Rs.41.27 crore in 1996-97 to Rs.82.80 crore in 2000-01 thereby registering an increase of 101 per cent and

[1] Amritsar, Gurdaspur, Hoshiarpur, Jalandhar, Ludhiana, Patiala and Sangrur.

accounted for between 79 and 91 per cent of total expenditure. The Director attributed increase in non-plan expenditure to revision of pay scales.

63 per cent of provision on plan component remained unutilised.

(iii) During 1996-2001, of the Plan budget provision of Rs.143.28 crore, Rs.90.52 crore (63 per cent) remained unutilized. Plan expenditure as a per cent of total expenditure, ranged between 9 and 21 per cent over the same period. Abnormal savings on Plan component reflected shrinkage of development activities and failure of department to implement Plan programme properly. The Director stated that saving was due to non-according of sanction by Government and non-passing of bills by the treasuries. The Government in turn stated (August 2001) that funds were not released due to financial crunch in the State.

3.1.4.2 Short release of funds relating to Central schemes

Government of India provided Central assistance for implementation of various schemes* for the development of livestock and other veterinary services in State against the projects/schemes approved by GOI.

The position of release of funds by GOI and expenditure incurred there-against by the State Government during 1996-97 to 2000-01 was as under:

(Rupees In crore)

Year	Total Funds made available by GOI**	Funds sanctioned by State Government against GOI funds	Expenditure against GOI funds	Unspent GOI funds retained by State Government
1996-97	7.46	5.17	0.91	6.55
1997-98	9.03	8.13	7.47	1.56
1998-99	3.14	1.74	1.34	1.80
1999-2000	7.81	4.45	0.36	7.45
2000-2001	8.14	5.86	5.36	2.78

Government failed to release funds provided by GOI for Central schemes.

It would be seen that balance of unspent Central assistance lying with State Government ranged between Rs. 1.56 crore and Rs. 7.45 crore during period 1996-97 to 2000-01. The Deputy Secretary, Finance, stated (August 2001) that funds were not released due to financial crunch in the State. The reply was not tenable as there was no justification for not releasing funds in case of the following schemes which were cent per cent financed by Government of India.

* Financed by GOI as 100 per cent and on sharing basis i.e 50:50, 75:25
** Includes unspent balance of each year.

(Rupees in lakh)

Serial Number	Name of the schemes	Funds made available by GOI	Expenditure	Balance unspent
		During 1996-2001		
1.	National Project on rinderpest eradication programme	65.46	42.70	22.76
2.	Animal disease management & regulatory medicines-Establishment of Regional referral disease diagnostic laboratories	84.40	Nil	84.40
3.	Extension of frozen semen technology	407.31	357.51	49.80
4.	Assistance to State for integrated piggery development	34.00	25.45	8.55
5.	Assistance to State for preservation of pack animals	5.00	Nil	5.00
6.	Animal Husbandry Extension	45.90	32.17	13.73
7.	Live stock Census	52.86	Nil	52.86
	TOTAL	**694.93**	**457.83**	**237.10**

Non-release of funds received from Government of India not only indicates State Government's casual approach of implementing Centrally sponsored schemes but also shows that Central funds might have been used for meeting State Government's committed liabilities/revenue deficit.

3.1.5 Programme performance

To achieve complete health care objective, the department carried out activities like treatment of livestock, artificial insemination, castrations and vaccinations in polyclinics, veterinary hospitals and veterinary dispensaries. For this purpose, Government had established 9 polyclinics, 1364 veterinary hospitals, 1431 veterinary dispensaries and 45 mobile units in the State. Targets and achievements under various activities of the department during the period 1996-2001 in the districts test checked** were as under: -

(Figures in lakh)

Activity	1996-97		1997-98		1998-99		1999-2000		2000-2001	
	T	A	T	A	T	A	T	A	T	A
Cases Treated	27.33	15.84 (42)***	29.10	16.32 (44)	29.10	16.93 (42)	29.10	17.88 (39)	29.10	19.66 (32)
Artificial insemination	14.99	12.62 (16)	16.06	11.90 (26)	16.06	12.06 (25)	19.25	13.02 (32)	15.40	12.11 (21)
Vaccination										
(i) H.S*	48.00	43.35 (10)	57.00	53.63 (6)	57.00	40.68 (29)	98.00	37.40 (62)	98.00	25.11 (74)
(ii) BQ@	2.15	1.59 (26)	2.15	1.01 (53)	2.15	1.24 (42)	2.15	0.87 (60)	1.95	1.44 (26)
(iii) FMD$	NF#	10.70	NF	17.21	NF	11.46	49.00	7.43 (85)	49.00	12.38 (75)

(i) The shortfall in achievement of targets fixed for treatment of animals ranged between 32 and 44 per cent during the period 1996-2001.

** Number of veterinary Institutions in test checked districts: 1621 (Polyclinic–3, VH–773, VD–845)

*** Percentage of shortfall in brackets

* T=Targets, A=Achievement, *HS= Hemorrhagic septicemia, @BQ= Black quarter

$ FMD=Foot & Mouth Disease, #NF=Not fixed

Shortfall in achievement of animals treated ranged between 32-44 per cent of target indicated inadequate health care provided to the livestock.

The department could not thus provide adequate health care to the animals. On being pointed out, Director stated (May 2001) that targets were fixed with an objective of maintenance of level of preparedness and whatever cases came to institutions, were treated. The reply was not tenable as achievement of the targets was much less than the targets fixed in all the years, which indicated that either the livestock population was over estimated or the department's potential was not fully utilised.

FMD borke out due to inadequate vaccination and perished 1073 cattle head.

(ii) Similarly, the shortfall in achievement of targets for vaccination ranged between 6 and 74 per cent in respect of HS and BQ. In the case of FMD, no targets were fixed for 1996-99. However, against the target of 98 lakh vaccinations fixed for 1999-2001, only 19.81 lakh vaccinations (20 per cent) were administered. Thus, adequate preventive measures were not taken by the department to protect the livestock from this dreadful disease. Consequently, FMD broke out in Moga district in December 1997 where 1073 cattle died of it. Due to lack of precautionary measures, the disease again surfaced in Ludhiana district during March 2001. The loss of cattle had not been intimated by the department so far (November, 2001). As a result of non-release of funds under Plan schemes, adequate medicines could not be purchased and other services not rendered properly. The cattle population in the State decreased from 94.20 lakh in 1997-98 to 90.16 lakh in 1999-2000.

3.1.6 Negligible expenditure on medicines

The main activity of the department is to provide veterinary treatment to livestock. Total expenditure of the department vis-à-vis expenditure on medicines during the period 1996-2001 was as under: -

Year	Total Expenditure	Expenditure on purchase of medicines	Expenditure per institution	Percentage of expenditure on medicines to total expenditure
	(Rupees	in crore)	(Rupees in lakh)	
1996-97	50.82	2.52	0.09	5
1997-98	69.39	4.88	0.17	7
1998-99	82.70	1.91	0.07	2
1999-2000	77.98	1.29	0.05	2
2000-01	97.07	0.89	0.03	1

Expenditure on medicines decreased from 7 to 1 per cent indicating poor animal health care.

Whereas overall expenditure of the department increased from Rs.69.39 crore during 1997-98 to Rs.97.07 crore in 2000-2001, expenditure on drugs and medicines decreased from Rs.4.88 crore in 1997-98 to Rs.0.89 crore in 2000-2001. The expenditure on medicines per Animal Health Institution decreased from Rs. 0.17 lakh in 1997-98 to Rs. 0.03 lakh in 2000-01. Even the basic medicines like Phenyl, Antibiotics and Antiseptic lotions etc. were not available in veterinary institutions for the last 1-5 years. The Director attributed (May 2001) it to shortage of funds. The reply was not acceptable as there was significant saving each year.

3.1.7 Non-submission of detailed contingent bills

Detailed contingent bills for Rs.3.69 crore drawn on 61 AC bills were not submitted to Accountant General (A&E).

As per financial rules, detailed contingent (DC) bills in respect of amount drawn on abstract contingent (AC) bills should be submitted to the Accountant General (A&E) within one month.

Test check of records of Director Animal Husbandry Punjab and 17 Deputy Directors revealed that as of March 2001, 61 DC bills aggregating Rs. 3.69 crore drawn between 1994-95 and 2000-01 had not been submitted to Accountant General (A&E). The Director had neither maintained DDO wise register of expenditure to ensure control of approved budget grant nor any records to watch timely submission of DC bills. This indicated lack of control and adequate monitoring at Director's level. On being pointed out, the Director stated (May 2001) that detailed bills will be submitted to Accountant General (A&E). These bills were still awaited (November 2001).

3.1.8 Blockade of funds on incomplete polyclinics

To provide specialized multi disciplinary services for diagnosis, treatment and surgical operations of livestock, a polyclinic was required to be set up at every district headquarter. To achieve this objective, the Government approved (1994-98) setting up of 3 new polyclinics in districts of Amritsar, Mansa and Moga as per details given below.

Polyclinics in districts of Amritsar, Mansa and Moga were lying incomplete for periods ranging between 3 and 7 years.

Sr. No.	Name of DD/Work	Estimated cost (Rupees in crore)	Name of the executing agencies/funds released	Period	Remarks
1.	DD Amritsar (Construction of polyclinic at Amritsar)	1.94	XEN Provincial Division B&R Amritsar (Rs. 21.16 lakh)	February 1995 to February 1998	After the work was taken up by the PWD and expenditure of Rs.12.95 lakh was incurred, Milkfed informed (March 1999) that its two quarters fell in the middle of Polyclinic site and demanded compensation of Rs. 6.50 lakh or a corridor/passage for use of quarters. The work was stopped and the issue has not been resolved so far (November, 2001).
2.	DD Mansa (Construction of polyclinic at Mansa)	0.68	XEN Provincial Division B&R Mansa (Rs. 67.12 lakh)	1994-98	After incurring Rs.41.27 lakh, XEN PWD informed (February 2000) that further work was stopped as the Treasury Officer did not release payments. The department failed to get the payment released and work had still not started (November 2001)
3.	DD Moga (Construction of polyclinic at village Gill district Moga)	1.07	XEN Provincial Division B&R Faridkot (Rs.12.50 lakh) PPDC (Rs.6.25 lakh)	January 1998 May, 1999	After expenditure of Rs.12.50 lakh was incurred by PWD on the construction of the building, further amount of Rs.6.25 lakh was deposited with PPDC who neither executed the work nor returned the money. The work is still incomplete (November 2001).

These Polyclinics had been lying incomplete for periods ranging between 3 and 7 years thereby depriving the general public of these districts of the benefit of necessary medical attention to their sick animals. Besides, Government funds amounting to Rs.0.73 crore also remained blocked.

3.1.9 Unfruitful investment on X-ray plants

For proper diagnosis of animal diseases, X-ray plants were installed in all the polyclinics established at district level. Test check of records of three polyclinics revealed that 3 X-ray plants installed therein were not functioning being out of order or due to non-availability of electricity connection rendering the expenditure of Rs. 20.61 lakh unfruitful as per details given below: -

(i) An X-ray plant alongwith its accessories was purchased (April 1995) by the Director from National Meditek, Delhi for Rs. 10.35 lakh for installation at polyclinic Ferozepur district. The X-ray plant was lying unutilized since its purchase as the required electricity load had not been arranged. This resulted in idle investment of Rs. 10.35 lakh since April 1995. On this being pointed out (March 2001), the DD Ferozepur stated (August 2001) that no action was initiated as radiologist was not posted by Director to run the X-ray plant. The reply was an after thought as the plant could not be operated without adequate power supply.

3 X-ray plants installed at a cost of Rs.20.61 lakh did not function for the last 5-6 years.

(ii) In Gurdaspur district, an X-ray plant purchased (1987) at a cost of Rs.4.68 lakh went out of order in May 1996. The DD Gurdaspur demanded (July 1996) Rs. 1.32 lakh from the Director for repairs but the funds were not provided so far (March 2001). Consequently, the radiographer deployed on the plant also remained without work since May 1996.

On this being pointed out (April 2001), the Director stated (May 2001) that the spares were not readily available. The reply was not tenable as the department failed to procure the parts and the plant remained idle for over a period of five years.

(iii) In Sangrur district, an X-ray plant purchased at a cost of Rs. 5.58 lakh and installed in July 1992 was used in September 1993 without obtaining proper power supply. After developing only 55 X-ray films (valuing Rs. 0.03 lakh), it stopped working (November 1996) due to inadequate power supply. The department still had neither repaired the plant nor obtained connection for adequate power supply to run the plant. No specific reply was given by Director (November 2001).

3.1.10 Inadequate services by mobile veterinary units

To provide veterinary aid facilities at the doorsteps of farmers, the department introduced mobile veterinary units at Tehsil level. In 7 test-checked districts, an expenditure of Rs.90.67 lakh was incurred under the scheme between 1996-97 and 2000-2001 on maintaining 22 mobile units. The overall achievements during 1996-2001 were as under: -

Year	Animals Treated			Artificial insemination cases done			Laboratory tests conducted		
	T	A	Per cent achievement	T	A	Per cent achievement	T	A	Per cent achievement
1996-97	55000	33594	61	33000	1685	5	11000	805	7
1997-98	55000	16573	30	33000	1181	4	11000	785	7
1998-99	55000	19484	35	33000	1263	4	11000	1220	11
1999-2000	55000	6446	12	33000	793	2	11000	1472	13
2000-2001	41040	1028	3	24625	342	1	8244	571	7

The mobile veterinary units service had almost collapsed for want of repair resulting in ungainful expenditure on the scheme.

The shortfall in achievements during 1996-2001 ranged between 39 and 99 per cent. Of 22 mobile units functioning during 1996-97, 18 went out of order and became non-functional upto 2000-01 for want of repairs. On being pointed out, the Director attributed (May 2001) the reasons for non-repair of mobile vans to shortage of funds. The reply was not acceptable as there were significant savings every year.

3.1.11 Human resource management

The veterinary officers and veterinary pharmacists are the key personnel responsible for effective implementation of schemes in the field. The position of sanctioned strength vis-à-vis men in position in the State during the period 1996-2000 was as under:-

	Posts of Veterinary Officer (VO) and Veterinary Pharmacist (VP)			
Year	Sanctioned Strength	In position	Vacant	Percentage
1996-97	3484	3279	205	6
1997-98	3680	3146	534	15
1998-99	3665	3224	441	12
1999-2000	3665	3082	583	16

Thus, the vacancies in the department increased from 6 per cent in 1996-97 to 16 per cent in 1999-2000 which adversely affected the implementation of schemes/programmes of the department. Irregularities noticed in the management of staff were as under: -

(A) Irregular diversion of staff

Mismanagement in deployment of veterinary staff resulted in irregular expenditure of Rs.1.65 crore.

Posts are sanctioned according to workload and staff is posted as per the sanctioned strength of the institution. In 8 districts#, posts of 43 VOs/VPs were diverted to veterinary hospitals where sufficient posts had not been sanctioned. Similarly, 12 veterinary officers borne on the strength of DDs Amritsar, Hoshiarpur and Ferozepur and whose pay was drawn against the sanctioned posts of these districts were irregularly diverted to other

Amritsar, Bathinda, Ferozepur, Moga, Muktsar, Nawanshahar, Ropar, Sangrur

districts. This resulted not only in irregular expenditure of Rs. 1.65 crore on their pay and allowances but also deprived animals of these districts veterinary care for the last one to five years. The Director stated (May 2001) that the diversions were made as a stop gap arrangement only for a short period of 2-3 months. The reply was not tenable as diversions existed for period ranging between 1 and 5 years.

(B) Irregular appointment of class IV employees

Against 19 vacancies of class IV employees available in the veterinary institutions in Gurdaspur district, the DD Gurdaspur appointed 79 persons between February and December 1997. As the employees were not paid salary due to non-availability of budget and sanction of posts, their services were terminated in February 1999. On the writ petition filed by the employees against the termination orders, the Hon'ble High Court upheld their termination and directed the department (February 1999) to disburse their salary for the period they remained in employment. The payment of salary to these officials for the period from April 1997 to June 1999 resulted in irregular expenditure of Rs 26.61 lakh. The DD Gurdaspur stated (February 2001) that the payments were made as per directions of the court. Reply of the department was not tenable as appointments were made without availability of vacant posts and the Director as a controlling officer failed to detect the irregular appointments.

3.1.12 Extra avoidable expenditure on purchase of feed

Purchase of feed from PPDC ignoring cheaper rates of Milkfed inflicted extra expenditure of Rs.10.04 lakh.

Financial Rules provide that purchase of material should be made from approved sources at competitive rates. PPDC and Milkfed are approved sources for the purchase of feed for livestock. Test check of records of DD Patiala revealed (March 2001) that the department purchased 9364 Qtls. of feed between September 1996 and February 2001 from PPDC at a cost of Rs.52.19 lakh. A comparison of rates made in audit with those of Milkfed suggested that the rates of PPDC were higher than Milkfed. The purchase of same quantity, if made from Milkfed, would have cost Rs. 42.15 lakh. Non-availing the competitive rates of the Milkfed resulted into extra expenditure of Rs. 10.04 lakh to Government. On being pointed out, the Director stated (May 2001) that PPDC was the only approved source of purchase of feed. The reply was not tenable as the Milkfed was also an approved source and the department had made purchases from it on several occasions.

3.1.13 Fraudulent withdrawal resulting in embezzlement

Non-observance of rules facilitated embezzlement of Rs. 20.79 lakh

Under Rules, every Government servant handling cash book is personally responsible for every monetary transaction and its proper accountal. DDO is also required to check its correctness. Test check of records of DD Hoshiarpur (November 1999) revealed that against a cheque for Rs. 75091 issued by the DDO, Rs. 1,75,091 was drawn from bank in July 1999 by manipulating the figures on the cheque. Further, the entire amount of

Rs.1,75,091 was not accounted for in the cash book. On being pointed out (March 2000), the Director stated (March 2000) that the cashier had been placed under suspension and enquiry team was formed for thorough investigation of accounts/vouchers which brought to light total mis-appropriation of funds amounting to Rs 20.79 lakh. The Director further informed (May 2001) that the cashier (under suspension) had been charge sheeted and case was registered with police. Further developments were awaited (November 2001). The failure on the part of the DDO to exercise the codal checks in the maintenance of cash book facilitated the embezzlement.

3.1.14 Irregular expenditure on cattle show

Under a Centrally sponsored scheme, Government of India (GOI) sanctioned (March 1998) Rs.20 lakh for organising cattle show in Amritsar with the condition of State Government's contribution of Rs. 5 lakh. As per terms of the grant, representatives of GOI and other State Governments were to be associated for finalising tenders, holding cattle show and selecting best animals. The judges were to be selected by GOI. The State Government released (March 2000) Rs.20 lakh for organizing the cattle show.

Test check of records (February 2001) of DD Amritsar revealed that the show was organized (March 2000) at Amritsar without following the conditions of the grant i.e. State's share of Rs. 5 lakh was not contributed, representatives of GOI/any other State were not associated and judges were selected unilaterally by the State Government. In addition, out of expenditure of Rs. 20 lakh incurred for the show, prizes for Rs. 6.01 lakh were distributed against Rs. 5 lakh provided in the grant and actual payees' receipts for the entire amount of prizes were also not available. No reply was received from Director (November 2001).

3.1.15 Unauthorised occupation of Government land.

Land measuring 19 kanals and 14 marlas valuing about Rs.2 crore attached with Civil Veterinary Hospital, Sangrur had been under occupation of unauthorised persons since long. Though the case had been decided in favour of department by the Hon'ble High Court (December 1989), the department had failed to get the land vacated even after a lapse of more than 11 years (November 2001). Failure of the department to get the land vacated and its disposal resulted in loss of Rs.2 crore to Government.

3.1.16 Failure of scheme resulting in blockade of feed and medicines.

(a) Under special Central assistance programme, medicines worth Rs.8 lakh were purchased during 1995-96 by Assistant Director (AD)

Purchase of medicines/feed without identifying the beneficiaries resulted in blockade of Rs.63.83 lakh.

Veterinary Store Jalandhar for supply on subsidised basis to goats of Scheduled Caste (SC) beneficiaries without assessing number of beneficiaries. Out of these, medicines worth Rs.3.07 lakh were transferred to 17 DDs in the State in 1999-2000 and balance medicines worth Rs.4.93 lakh were lying with him. Test check of records in districts revealed that as of November 2000, medicines worth Rs.0.82 lakh only were distributed to beneficiaries. Thus, medicines worth Rs.7.18 lakh were still lying with the AD Veterinary store Jalandhar/DDs. On this being pointed out (November 2000), the AD stated that the balance medicines will be distributed on receipt of demand from DDs. The reply was not tenable as the purchase of medicines without actual requirements had resulted in blockade of medicines since 1995-96.

(b) Again, medicines for Rs.16.79 lakh were purchased (November 1999) by AD Veterinary Store Jalandhar and issued (between January and April 2000) to 17 Deputy Directors in the State for supply to SC beneficiaries for their animals. Out of this, medicines amounting to Rs.3.69 lakh only were distributed to the beneficiaries and the remaining medicines worth Rs.13.10 lakh were lying with the DDs. Similarly, 16 DDs withdrew (March 2000) advance of Rs.72.63 lakh from treasury and paid (April 2000) to PPDC as advance for supply of feed for animals kept by SC beneficiaries. As of January 2001, only 10386 Qtls. of feed valuing Rs.29.08 lakh was supplied by PPDC which was distributed to SC beneficiaries. Non-supply and non-distribution of balance feed (Rs.43.55 lakh) and medicines was attributed (November 2000-March 2001) by the DDs to non-availability of eligible beneficiaries. Thus, purchase of medicines and drawal of funds for feed without identifying actual beneficiaries especially when the medicines purchased earlier in 1995-96 could not be distributed for want of beneficiaries resulted in blockade of Government funds amounting to Rs.56.65 lakh. The Director justified (May 2001) the deposit of funds for supply of feed with PPDC on the plea that it was a Government undertaking and further, the medicines had been distributed to the beneficiaries. The reply was not tenable as the drawal of funds in advance of actual requirement and advance payment to PPDC was in contravention of the codal provisions. Further information received (May 2001) from 3 DDs[1] showed that medicines were not distributed to beneficiaries and were still lying with them.

3.1.17 Unproductive expenditure on bull production programme

Unproductive investment of Rs. 4.24 crore as National Bull Production Scheme failed to take off due to poor planning.

With a view to develop indigenous cattle by using embryo transfer technology and associated herd progeny testing progaramme under National Bull Production Scheme, GOI released Rs.4.24 crore between February 1994 and March 2000. Under the scheme, 50 bulls were to be maintained at Government cattle breeding farm, Nabha where the progeny-testing programme would be carried out alongwith 12 selected gaushalas. 8[2] gaushalas selected by the department were given Rs.48 lakh for

[1] Ferozepur, Moga, Nawanshahar.

[2] Ahmedgarh, 2. Bhiani, 3. Dhuri, 4. Jagraon, 5. Khanna, 6.Nabha, 7. Sangrur, 8. Sunam.

developing necessary infrastructure. The activity reports in this regard were required to be submitted to State farms.

Scrutiny of records of Directorate (November 2000) revealed that the funds released were spent on construction of building for laboratory at Nabha (Rs.35 lakh), grants-in-aid to 8 gaushalas (Rs.48 lakh) and supply of material, machinery and other equipment (Rs.340.76 lakh). As the laboratory building was incomplete, the machinery and equipment could not be installed and embryo transfer technology was not used. The details of activity undertaken by gaushalas were not available with the cattle-breeding farm. This resulted in an unproductive expenditure of Rs.4.24 crore. On being pointed out (November 2000), Director stated that laboratory had not been constructed so far (July 2001). However, no reasons for purchase of machinery and equipment and payment of grants to gaushalas in anticipation of functioning of the laboratory were intimated.

3.1.18 Unfruitful expenditure on establishment of fodder banks

Department failed to establish fodder banks and expenditure of Rs. 24.38 lakh remained unfruitful.

To provide nutritional fodder to the livestock in Kandi area, GOI released (March 1998) Rs.30.60 lakh for "establishment of fodder banks" to store dry fodder. The DD Hoshiarpur, instead of implementing the scheme departmentally, paid (March 1998) Rs.17.60 lakh to PPDC for purchase of fodder, Rs.6.96 lakh to Punjab Land Development and Reclamation Corporation (PLDRC) for supply of seeds of jawar and Rs.6 lakh to XEN Panchayati Raj, Hoshiarpur for construction of silopits.

The PPDC supplied wheat bhusa worth Rs.3.57 lakh only (January 2001) which was not distributed to the farmers and was lying with the department unutilized. Seed costing Rs.6.43 lakh was received from PLDRC out of which seed costing Rs.6.18 lakh had been sold to farmers and balance of Rs 0.25 lakh was lying with the department. The construction work had not yet been started as no site had been selected. Thus, the fodder bank could not be established. The expenditure of Rs.24.38* lakh, thus, remained unfruitful as the scheme failed to take off. The Director stated (May 2001) that wheat bhusa was not consumed/procured as there was no scarcity of fodder. However, no reply was given for non-construction of silopits and recovery of balance amount from PPDC. In view of the reply of the Director that there was no scarcity of fodder, the implementation of the scheme without proper survey was not justified.

* (1) Rs.14.03 lakh lying with PPDC (2) Rs.6 lakh with XEN PWD B&R (3) Rs.0.53 lakh with PLDRC (6.96 – 6.43) (4) material lying with the department Rs.3.82 lakh (Bhusa: Rs. 3.57 lakh and Seeds Rs.0.25 lakh.)

3.1.19 Poor monitoring

Director is responsible for monitoring and implementation of Plan programmes and other activities of the department. A monthly progress report was submitted by all the DDs to him to review and monitor the activities in the field. The reports were merely compiled and recorded and no corrective measures to improve the working of the department were taken. Further, the Government asked the Director to evaluate the schemes such as import of semen for cattle development and scheme of polyclinics. However, no evaluation of such schemes was conducted. Poor performance of the veterinary institutions, polyclinics and mobile units show the lack of monitoring and evaluation by the Directorate.

3.1.20 Conclusion

The review highlights the poor performance of veterinary institutions. The scheme of polyclinics had not yielded the expected results and the scheme of mobile units had also failed. There was inadequate monitoring of the schemes by the department.

The above matter was referred to the Director (April 2001). Reply received (May 2001) had been incorporated in the review. The material was developed into a draft review for consideration of Government and the same was demi-officially forwarded to the Secretary to the Government in June 2001 for reply within 6 weeks. However, no reply was received from the Secretary (November 2001).

Finance Department

3.2 Working of Internal Audit Organisation

Highlights

With a view to improve overall quality of work, reduce errors, omissions and irregularities, the State Government introduced (1982) the system of Internal Audit in revenue receipts. The focus was, however, shifted (1991) to some expenditure heads. The review conducted on the working of Internal Audit Organisation (IAO) revealed several deficiencies. There was heavy arrear in audit, inordinate delay in issue of audit notes, absence of monitoring to ensure settlement of objections raised by the IAO within the reasonable period. Paragraphs relating to shortfall in revenue receipts aggregating Rs.60.44 crore pointed out prior to discontinuance of audit of revenue receipts were lying unattended. Lack of effectiveness was persisting as the outstanding paragraphs had increased over the period. There was a lukewarm response to the audit objections from the auditee organizations. The departments continued to commit irregularities which were pointed out in the Statutory test check. Some of the significant findings are given below:

- **Of 1055 units to be audited annually, the IAO failed to conduct audit of 588 units and delay ranged from 1 to 5 years.**

(Paragraph 3.2.5 (i))

- **822 audit notes were issued late and delay ranged between 16 and 362 days.**

(Paragraph 3.2.5 (iii))

- **The follow up action on Internal Audit observations was lacking and 4059 audit notes containing 13277 paragraphs with money value of Rs.256.78 crore were pending for settlement.**

(Paragraph 3.2.5 (iv))

- **Utilisation of 368 mandays in excess of norms and non-utilisation of 1460 mandays because of poor planning, IAO incurred ungainful expenditure of Rs. 10.99 lakh on the pay and allowances.**

(Paragraph 3.2.6(ii) (iv))

- The shift in focus of IAO from revenue to expenditure audit proved to be ineffective as during the period under review 9520 cases of irregularities involving revenue effect of Rs.268 crore were detected by Statutory Audit.

(Paragraph 3.2.7)

- Internal Audit highlighted irregularities valuing Rs.45.68 lakh, which were already highlighted by Statutory Audit.

(Paragraph 3.2.9)

3.2.1 Introduction

With a view to prevent loss or leakage of revenue, an Internal Audit Organisation (IAO) was established in 1982 to audit receipts in some of the departments. In 1991, functions of IAO were diverted to audit of General Provident Fund (GPF) accounts, Grants-in-aid (GIA) to privately managed Government aided schools/colleges, District Planning Board Funds (DPBF), Stamp Duty and Registration Fee (SD&RF) and any special assignment allotted to the organisation. The main objective of IAO was to improve quality of work, reduce irregularities, errors and omissions which may subsequently be detected by Statutory Audit.

3.2.2 Organisational set up

At secretariat level, the Principal Secretary Finance is responsible for overall implementation and monitoring of activities of the IAO. The Additional Director Internal Audit (ADIA), under the administrative control of Director Treasury and Accounts (T&A), is head of IAO assisted by 5 Deputy Directors, 3 Assistant Directors and 10 Section Officers at State level. At field level, each district office is headed by a Deputy Controller (Finance & Accounts) (DC F&A) and assisted by three or four audit parties consisting of one Section Officer and one Junior Auditor each. As of March 2001, the staff strength of IAO was 201 of which 101 temporary posts were being sanctioned on yearly basis.

3.2.3 Scope of audit

Mention was made in paragraph 1.11 of Audit Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended March 1995 on working of the IAO. The functioning of IAO was further reviewed by test check of records of ADIA and seven* D.C (F&A) for the period 1995-2001 between July 1999 and April 2000. The review has been further strengthened by collecting additional information between

* Amritsar, Bathinda, Ferozepur, Jalandhar, Kapurthala, Patiala and Sangrur.

January and March 2001. The results of review are embodied in succeeding paragraphs.

3.2.4 Budget allotment and expenditure

Budget allotment and expenditure incurred during the period 1995-96 to 2000-01 was as under:

(Rupees in lakh)

Year	Budget Allotment	Expenditure	(+) Excess (-) Savings
1995-96	144.98	139.48	(-) 5.50
1996-97	150.36	144.14	(-) 6.22
1997-98	169.06	169.00	(-) 0.06
1998-99	158.44	211.78	(+) 53.34
1999-2000	235.22	212.26	(-) 22.96
2000-2001	252.74	216.26	(-) 36.48

No reasons for excess/shortfall in expenditure were given. However, scrutiny revealed that budget estimates were made on the basis of sanctioned strength including vacant posts.

3.2.5 Performance of the IAO

(i) Shortfall in audit coverage

The audit of 588 units remained in arrears with delay of 1 to 5 years.

The IAO was not ensuring the required coverage of auditable units. Test check of records in 7 districts (January to March 2001) revealed that out of 1055 units to be audited every year during the period 1995-2001, 588* units were in arrear, the delay was between 1 and 5 years. The percentage of shortfall in the coverage of audit units during the said period ranged between 1 and 45 (GPF) 7 and 32 (GIA), 2 and 27 (DPDB) and 5 and 28 (SDRF). When pointed out (April 2001), the department attributed (July 2001) shortfall in coverage of all the units every year to shortage in staff and further stated that the staff was not being provided due to resource crunch.

(ii) Non-review of periodicity of audit

The Director (T&A) while approving (May 1995) the audit programmes for 1995-96 asked the IAO to review the periodicity of audit to reduce the quantum of audit in arrear. Instead of revising the periodicity of audit, the IAO reduced (1998) the percentage of test check of records from 100 to 20 *per cent* in respect of all the GPF units. However, no action was taken to review the periodicity in regards to other Heads of account covered by the IAO. Consequently, the arrear in audit continued to increase. Thus, the conducting of audit after more than five years would defeat the very purpose of audit as it may not be feasible to take corrective action after lapse of long period.

* (1). General Provident Fund : 39 units, (2). Grants-in-aid : 167 units, (3). District Planning Board Funds: 248 units, (4). Stamp Duty and Registration Fee : 134 units

(iii) Delay in issue of audit notes.

822 audit notes were issued late with a delay ranging between 16 and 362 days.

Internal audit notes were required to be issued to auditee units within 30 days from the date of conclusion of audit. Test check of records of IAO revealed that out of 3660 audit notes issued to auditee units between April 1995 and March 2001, 661 (18 per cent) were issued after a delay of 16 to 90 days and other 161 audit notes (4 per cent) were issued after a delay of 91 to 362 days. The AD (T&A) attributed (July 2001) the delay to shortage of staff.

(iv) In-adequate follow up action

Due to inadequate follow up action 4059 audit notes containing 13277 paragraphs involving Rs.256.78 crore remained outstanding.

(a) One month time has been laid down for taking remedial action in respect of objections raised by IAO. A review of audit notes in the seven* districts test checked revealed that arrear of outstanding audit notes increased from 1976 in 1995-96 to 4059 audit notes in 2000-2001 as per details given below:

(Position of audit notes)

Description	Opening balance as of 1-4-1995	Number of audit notes issued during the period 1995-2001	Number of audit notes settled during the period 1995-2001	Closing balance as of 31-3-2001
Audit Notes	1976	3137	1054	4059**
Paragraphs	6532	13620	6875	13277
Money value (Rupees in crore)	60.25	272.75	76.22	256.78

It was further noticed that 61 audit notes containing 331 paragraphs involving Rs. 47.53 crore relating to special audit of maintenance and repair of roads, bridges and canals had been lying outstanding since May 1993. This indicated not only the poor persuasion of settlement/compliance to objections by the IAO but also the lukewarm response on the part of auditee units and their controlling officers. The lack of monitoring system for arranging quarterly /half-yearly meetings for pursuance of audit objections further aggravated the situation. The IAO, thus, failed to bring any substantial improvement in the working of departments for which it had been introduced.

3.2.6 Manpower management

(i) Shortage of audit parties

Strength of IAPs remained short by 3 to 8 parties in the IAO during 1995-2001.

The ADIA being head of the organisation is primarily responsible for deployment of Internal Audit Parties (IAPs) and was required to ensure that vacancies in the organization are filled up promptly. However, in 7 districts test checked, there was a persistent shortage of IAPs which increased from 3 IAPs in 1995-96 to 8 IAPs in 2000-01 despite the fact

* Amritsar, Bathinda, Ferozepur, Jalandhar, Kapurthala, Patiala and Sangrur

** GPF (233); DPDB (1350); GIA (1175) and SDRF (1301).

that auditable units and periodicity of audit had remained the same. In some cases, the posts have been lying vacant from 3 to 48 months. The position of sanctioned and operative strength of IAPs during 1995-96 to 2000-01 was as under:

Year	Sanctioned strength	Operative strength	Shortfall
1995-96	24	21	3
1996-97	24	22	2
1997-98	24	21	3
1998-99	24	18	6
1999-2000	24	17	7
2000-2001	24	16	8

The decrease in the operative strength of IAPs not only resulted in increase in quantum of arear in audit but also defeated the objectives of setting up of IAO. Steps taken to overcome the shortfall were not intimated (November 2001).

(ii) **Non-utilisation of 1460 mandays.**

To ensure the optimum utilization of staff deployed on local audit, the working hours observed by the auditee units should be observed.

Non-utilisation of 1460 mandays while conducting audit of Government-aided schools/colleges resulted in ungainful expenditure of Rs. 8.78 lakh.

Test check of records of tour programme of IAPs conducting audit of Grants-in-aid to schools and colleges revealed that IAPs observed 5 days instead of 6 days a week being followed by these institutions during 1995-2001. Moreover, Examiner Local Fund Accounts, another branch of the department while conducting audit of such institutions relating to their non-Government funds observed the time schedule of 6 days a week. The failure of IAO to switch over to 6 days a week resulted in non-utilisation of 1460 mandays involving ungainful expenditure of Rs.8.78 lakh on their pay & allowances. The IAO by proper planning could have utilised these mandays to reduce the arrears. When pointed out (April 2001), AD (T&A) stated (July 2001) that working hours in these schools and colleges were six hours a day whereas in Government offices 8 hours and as such time schedule of Government offices was observed. The reply of the department was not tenable as Examiner Local Fund Accounts, another organisation under Finance Department as well as Statutory Audit, were following a six days week in schools and colleges for audit of Government/non-Government funds.

(iii) **Continuance of special audit without sanction.**

The special audit of expenditure incurred on the maintenance, repair and upkeep of roads, bridges and canals in the Public Works Department for the year 1991-92 was entrusted to IAO by the Principal Secretary Finance in 1992-93.

The IAO, however, continued to conduct special audit of accounts of these departments beyond 1991-92. The continuance of special audit without sanction of the competent authority involving 888 mandays resulted in ungainful expenditure of Rs.5.26 lakh on their pay & allowances for the period 1995-96 to 1996-97, besides no serious irregularity was detected.

The staff deployed on special audit could have been utilized for reducing the arrear in auditee units.

The AD(T&A) stated (July 2001) that special audit for 1991-92 was approved by the Principal Secretary, Finance and IAO decided to continue special audit from 1992-93 to 1995-96 also on the basis of approval of annual audit programme by Director (T&A). The reply of the department was not tenable as special audit was entrusted to the IAO for only one year i.e 1991-92. The conducting of special audit by IAO for the years 1992-93 to 1995-96 in the absence of specific sanction of the Government was irregular.

(iv) Utilisation of 368 mandays in excess of fixed norms

Utilisation of 368 mandays in excess of fixed norms resulted in ungainful expenditure of Rs.2.21 lakh.

The Finance Department fixed norms (October 1991) of 3,4 and 5 party days for completion of audit of Grants-in-Aid (GIA) accounts of 1,2 and 3 years respectively.

Test check of records maintained by four* Deputy Controllers (F&A) revealed that programmes for audit of GIA prepared by IAO were not in accordance with the norms fixed by the Government. As a result, 368 mandays were utilized in excess of the norms fixed by the Government for audit of these institutions during November 1995 and December 2000 without obtaining sanction of the competent authority or seeking change in the norms. It increased not only the arrear of audit but also resulted in ungainful expenditure of Rs.2.21 lakh on pay & allowances.

The AD (T&A) stated (July 2001) that although a norm of 5 days had been fixed for conducting the audit of GIA for 3 years, yet it was not practicable due to shortage of staff. The reply was not tenable as allotment of extra time without approval of competent authority was irregular.

3.2.7 Injudicious shifting of focus from revenue to expenditure audit

Shifting of focus of IAO from revenue to expenditure audit proved ineffective as 9520 cases involving revenue effect of Rs. 268 crore were pointed out by Statutory Audit during 1995-2000.

One of the objectives for setting up of IAO in 1982 as a separate organisation under the State Finance Department was to improve the quality of assessments and to reduce errors and omissions which may subsequently be detected by the Statutory Audit. In November 1991, the focus of Internal Audit was shifted from revenue to expenditure audit and the Revenue Departments developed their own mechanism for maximising receipts. Similarly, Punjab State Electricity Board (PSEB) have developed their own system of Internal Audit of Electricity Duty.

Though duties relating to Internal Audit was assigned to Resident Section Officers posted in Revenue Departments, yet 7566 audit paragraphs valuing Rs. 60.44 crore raised prior to 1991 had not been transferred to them even after lapse of 10 years. AD (T&A) stated (July 2001) that responsibility to remove discrepancies, effect recoveries and get the paras settled was of the auditee units. The reply was not tenable as the

* Jalandhar, Kapurthala, Patiala and Sangrur.

administrative control for the posting of Resident Section Officers in Sales Tax, Excise and Transport Departments was with Finance Department. As such, the officials could pursue the outstanding objections for remedial action and logical conclusion.

Further, it is pertinent to mention that the Revenue raised by the State Government have increased substantially from Rs.3188.68 crore in 1991-92 to Rs. 7830.45 crore in 2000-2001. Non-auditing of these receipts by the IAO may result in many irregularities in terms of under-assessment and short levy of tax going unnoticed which consequently may lead to revenue loss to the Government. Even in test check during the period 1995-2000, the Statutory Audit had pointed out under-assessment and short levy of tax having revenue effect of Rs. 268 crore in 9520 cases. Besides, evasion of tax of Rs. 9.05 lakh committed (February 1998) by the District Transport Office, Ludhiana had also been pointed out by the Statutory Audit (Audit Reports of Revenue Receipts-Government of Punjab).

Thus, shifting in focus of audit from revenue to expenditure has not brought out desired results as the IAO is not properly equipped to carry out the expenditure audit as brought out in the foregoing paragraphs. In the expenditure audit of GPF, Grants-in-aid, DPB funds and the special audit of Road, Bridges and Canals undertaken by it, the input is minimal and had not brought out any serious irregularity.

3.2.8 Non-preparation of Manual and control registers

(i) Though the Finance Department had been issuing orders/instructions from time to time in respect of the affairs as well as activities of Internal Audit Organisation, these orders and instructions had not been codified in the shape of Audit Manual even after 19 years of setting up of Internal Audit Organisation. On this being pointed out (March 2001), the AD (T&A) stated (July 2001) that no useful purpose would be served in preparing Manual rather it will be a burden on State exchequer.

(ii) Audit scrutiny of 6* districts revealed that only progress reports have been maintained indicating paragraphs issued and settled. No system for maintenance, pursuance and reporting of cases of serious irregularities to the higher authorities had been evolved. The registers for keeping the details of auditee units, audit due, completed and pendency of Internal Audit observations and their settlement etc were not maintained. The non-maintenance of such records adversely affected the performance of IAO.

(iii) IAO prepares Annual Administrative Reports (AARs) every year which bring out only the informations regarding amount held under objection in revenue/ expenditure audit. The specific and interesting cases which came to notice as a result of Internal Audit were never highlighted.

* Amritsar, Bathinda, Ferozepur, Jalandhar, Patiala and Sangrur.

3.2.9 Highlighting of same irregularities as detected in Statutory Audit

The objects of setting up of IAO was to improve the overall quality of assessments and to detect errors and omissions in the cases of receipt/expenditure audit. The IAO conducted audit of 640 units after the Statutory Audit. However, the comparison of audit notes issued by IAO relating to DPBF, GPF and special audit of PAP Jalandhar and the audit notes issued by Statutory Audit revealed that in some cases same irregularities which were detected in the Statutory Audit were also highlighted subsequently by the IAO. Thus, the very purpose of setting up of IAO had not been achieved. A few cases noticed as a result of cross examination of records were given in the table below :

Same irregularities of the amount of Rs.45.68 lakh were highlighted by IAO which were already detected by Statutory Audit

Sr. No	Name of auditee unit	Nature of irregularity	Period of audit notes	Date of audit		Amount held under objection *(Rupees in lakh)*
				By Statutory Audit	By IAO	
1.	ADGP, PAP, Jalandhar	Loss of interest of Rs.25.51 lakh due to retention of funds outside Government account	July 1995 to July 1999	July 1999	July 2000	25.51
2.	Civil Surgeon, Fatehgarh Sahib	Diversion of funds Rs.7.96 lakh on purchase of medicine and furniture for PHC Sanghol	July 1998 to June 1999	July 1999	December 1999	7.96
3.	Principal Chief Conservator of Forests Punjab, Chandigarh	Embezzlement of Rs.5.53 lakh due to non checking of accounts annually by IAO in GP fund advances	1993-94 to 1995-96	June 1996	April to July 2000	5.53
4.	Sub Registrar Khanna	Mis- classification of instrument resulting in non levy of stamp duty and registration fee of Rs.6.68 lakh	1993-94 to 1995-96	July 1996	December 1996	6.68
					Total	**45.68**

3.2.10 Conclusion

The objectives for the establishment of IAO largely remained unfulfilled as evidenced by heavy backlog of audit, inordinate delay in issue of audit notes, absence of monitoring and repetition of audit findings. Lukewarm response of auditee units further aggravated its ineffectiveness. The audit of Revenue Receipts was discontinued despite manifold increase in Revenue Receipts of the Government, leaving little scope for internal checks on the irregularities committed during assessments and levy of tax. The Finance Department is required to review and evaluate the working of IAO, prepare the Manual for the guidance, bring into its purview audit of some important departments like Medical, Police, Industries etc. on rotational basis and also bring out administrative and organizational changes to achieve the objectives for which IAO was established.

The material was developed into draft review and the same was forwarded to Secretary to Government in April 2001 for comments within six weeks. The matter was followed up demi-officially with reminder to the Secretary in June 2001. However, inspite of such efforts, reply was not received from the Secretary (November 2001).

Health and Family Welfare Department

3.3 Prevention and Control of Diseases

Government of India launched several centrally sponsored programmes for prevention and control of diseases, namely National AIDS Control Programme in 1992 and National Programme for Control of Blindness in 1976. A review on the performance of these programmes during 1996-2001 in Punjab State revealed the following :

Highlights

To contain the spread of the HIV infection in India and to strengthen India's capacity to respond to the HIV/AIDS on long term basis, the Government of India (GOI) launched a hundred per cent Centrally sponsored National AIDS Control Programme in 1992. The review of the programme revealed several deficiencies in its management and implementation. The implementation was poor in the State as 82 per cent of the available funds remained unutilized during 1996-97. The achievements under sub-components of the programme were not substantial and in most of the cases targets were not fixed. The task of identifying high-risk groups remained ineffective as against the coverage of whole State, only 4 towns were covered and only base line data was compiled. Peer counseling, treatment of STIs and client programmes were virtually absent. The training programme was not complete in all respects as no training was given to medical and para-medical staff in the field.

The National programme for control of blindness, a cent per cent Centrally sponsored programme, was launched in 1976 to achieve the goal of reducing the prevalence of blindness upto 3 per thousand of population by year ending 2000. The review of the programme revealed gross deficiencies in programme implementation. The achievements fixed for cataract surgery were inflated by 30 to 45 per cent. Funds released by Government of India (GOI) to Director Health Services (DHS) and DBCSs remained unutilized. There was a lack of monitoring and evaluation of the programme at State level.

Some significant irregularities are given below:

- Out of funds of Rs.292.53 lakh, Rs.51.21 lakh (18 per cent) only were utilized for the implementation of the programme during 1996-97.

(Paragraph 3.3.1.4(A)(i))

- The achievements under priority targeted intervention for groups at high risk and low cost AIDS care components were negligible as only Rs.0.26 crore (19 per cent) were expended out of available funds of Rs.1.35 crore during 1999-2001

(Paragraph 3.3.1.5.1)

- Condom delivery system failed to take off due to non-purchase of condoms/purchase of defective condom vending machines, beside wasteful expenditure of Rs.22.61 lakh.

(Paragraph 3.3.1.5.1.1 & 5.1.2)

- Non-transfer of IEC material worth Rs. 7.11 lakh by the State AIDS Cell to the State AIDS Control Society affected the awareness campaign adversely.

(Paragraph 3.3.1.5.2.(i))

- Equipments worth Rs.12.39 lakh were purchased in contravention of the guidelines issued by NACO.

(Paragraph 3.3.1.6.1)

- Out of Rs.1.60 crore received by the State Government from GOI for the implementation of the programme during 1996-2001, Rs.1.48 crore (92 per cent) were not released by the State Government.

(Paragraph 3.3.2.4(B))

- Achievements of cataract operations by the Government hospitals were inflated by 34 to 45 per cent during 1996-2001 by including the operations conducted by NGOs in the reports.

(Paragraph 3.3.2.5 1)

- Central purchase of material and equipments was not made by the State Government and funds amounting to Rs. 1.03 crore released by GOI for the purpose were retained by the State Government for meeting its own expenditure.

(Paragraph 3.3.2.5.1.1.)

- **Irregular and excess expenditure of Rs. 14.40 lakh was incurred on purchase of medicines, non-consumables and payment to NGOs.**

(Paragraph 3.3.2.5.1.2 and 3.3.2.7)

3.3.1 National AIDS Control Programme

3.3.1.1 Introduction

Acquired Immuno Deficiency Syndrome (AIDS) is a fatal disease caused by a virus called the Human Immuno Deficiency Virus (HIV). It has emerged as a serious public health problem. National AIDS Control Programme (NACP) was initiated in the country in 1985 in collaboration with Indian Council of Medical Research. Subsequently, in order to contain the spread of HIV/AIDS, Government of India (GOI) launched (1992) a hundred per cent Centrally sponsored programme (Programme) with World Bank assistance. The GOI established National AIDS Control Organization (NACO) an executive body in the Ministry of Health and Family Welfare headed by Additional Secretary as Project Director. The project was implemented in two phases. The objectives of the National AIDS Control Programme Phase-I (NACP-I) were (i) to slow the spread of HIV; (ii) to decrease morbidity and mortality associated with HIV; (iii) to minimize socio economic impact resulting for HIV infection. The project consisted of following sub components:

(a) Strengthening the management capacity for HIV.

(b) Promoting public awareness and community support.

(c) Improving blood safety and rational use.

(d) Building surveillance and clinical management capacity.

(e) Controlling Sexually Transmitted Diseases.

The National AIDS Control Programme Phase-II (NACP-II) was launched in November 1999 with two key objectives namely to (1) reduce spread of HIV infection in India and (2) strengthen India's capacity to respond to HIV/AIDS on long term basis. The objectives are grouped into five sub components as given below:

i) Priority targeted intervention for Groups at high risk.

ii) Preventive intervention for the general community.

iii) Low Cost AIDS care.

iv) Institutional strengthening

v) Intersectoral collaboration.

3.3.1.2 Organisational set up

At State level, the Director Health Services (DHS) Punjab assisted by State AIDS Control Cell (SACC) was responsible for implementation of the programme. From April 1998, the implementation of the programme was entrusted to Punjab State AIDS Control Society (PSACS) under the chairmanship of Principal Secretary to Government of Punjab, Health and Family Welfare. At district level, the programme is implemented through Civil Surgeons supported by medical and para medical staff.

3.3.1.3 Scope of audit

The implementation of the programme for the period 1996-2001 was reviewed in audit during December 2000 to April 2001 by checking the records of AIDS Control Cell in the office of DHS, Punjab State AIDS Control Society and Civil Surgeons of 10[1] districts. The results of review are embodied in the succeeding paragraphs.

3.3.1.4 Financial arrangement

Budget allocated by the GOI, grants received by the State Government and expenditure made there against during 1996-98 was as under:

(A) Funds released to State Government

(Rupees in lakh)

Year	Funds released by GOI	Funds sanctioned by the State Government	Expenditure	Excess (+) Savings (-)
1996-97	225	292.53*	51.21	(-) 241.32 **
1997-98	75	349.44	306.80	(-) 42.64 ***
1998-99	--	42.89	39.57	(-) 3.32

* *Includes previous balance of Rs. 67.53 lakh.*

** *The Punjab Government revalidated Rs. 274.44 instead of Rs. 241.32*

*** *The Punjab Government revalidated Rs. 42.89 instead of Rs. 42.64*

The implementation of the programme during 1996-97 was negligible as only 18 per cent of the available funds were expended.

(i) Against the available funds of Rs. 2.93 crore during the year 1996-97 for the programme, expenditure of Rs.51.21 lakh only (18 per cent) was

[1] Amritsar, Bathinda, Ferozepur, Fatehgarh Sahib, Jalandhar, Ludhiana, Moga, Patiala, Ropar and Sangrur.

incurred and the State Government retained balance amount of Rs.2.41 crore (82 per cent).

(ii) As the implementation of the programme was transferred to State AIDS Control Society from April 1998, the release of funds by the State Government to DHS during 1998-99 and expenditure there against by the DHS on the programme was irregular.

(B) Funds released by GOI to Punjab State AIDS Control Society

(Rupees in lakh)

Year	Opening balance	Budget allocated by Govt. of India	Grant received	Total	Expenditure	Excess (+) Savings (-)
1998-99	2.26*	110.00	110.00	112.26	111.53	(-) 0.73
1999-00	0.73	400.72	277.70**	278.43	258.26	(-) 20.17
2000-01	20.17	300.00	296.50	316.67	188.47	(-) 128.20
Total		**810.72**	**684.20**	**707.36**	**558.26**	-

* *Unspent balance transferred by DHS*

** *Includes Rs.0.31 lakh released by W.H.O.*

It would be seen that against the allocation of Rs.8.11 crore, funds amounting to Rs.6.84 crore (84 per cent) only were released by GOI to the State AIDS Control Society during the year 1998-2001. As of March 2001, funds amounting to Rs.1.28 crore remained unutilised with the Society due to decrease in expenditure during 1999-2001 mainly on the following components.

(Rupees in lakh)

(a)	**Priority targeted intervention against HIV/AIDS**	**108.61**
(b)	**Low cost AIDS care**	**16.05**
(c)	**Institutional strengthening**	**20.34**
(d)	**Preventive Intervention for the General Community and Inter Sectoral Collaboration**	**(-) 17.53**
(e)	**Previous balance**	**0.73**

Reasons for savings were, however, not furnished by the Society.

3.3.1.5 Components/Activities covered under the programme

3.3.1.5.1 Priority targeted intervention for groups at high-risk.

The activities under priority-targeted intervention for high-risk groups were negligible as only 19 per cent funds were expended during 1999-2001.

The project aims to reduce the spread of HIV in groups with high risk by identifying target population and providing peer counseling, condom promotion and treatment of STIs and client programmes. These were to be largely delivered through NGOs, Community Based Organisations (CBOs) and the public sector. During 1999-2001, funds of Rs.1.35 crore (1999-2000:Rs.0.85 crore and 2000-01:Rs. 0.50 crore) were provided by NACO for priority intervention of targeted groups at high risk against which an expenditure of Rs. 0.26 crore (1999-2000:Rs. 0.02 crore and 2000-2001:Rs. 0.24 crore) only was made. Thus, the achievements regarding involvement of NGOs in the task remained partial and the beneficiaries were deprived of the intended benefits of the programme.

The Project Director PACS stated (August 2001) that the targeted intervention programme was started in the year 2000. Due to lack of clear cut guidelines, the expenditure was incurred with great care as and when the guidelines were received from NACO and the expenditure was made accordingly. The reply of the department was not beyond doubt as the documents in support of reply were not produced to audit.

Audit scrutiny (April 2001) further revealed that funds of Rs. 15.72 lakh were spent by 4[2] NGOs to identify high risk behavior groups i.e. truck drivers, industrial workers, migrant labourers, non-brothel based commercial sex workers etc. The position of funds received from GOI and disbursed to NGOs along with achievements made there against were as under:

(Rupees in lakh)

Sr. No.	Group	Funds released	Actual expenditure	Targets	Persons to be covered	Achievements	Persons covered
1.	Commercial sex workers	11.12	5.56	Survey & collection of baseline data	1000	Survey & baseline data collection	1000
2.	Truck drivers	8.87	4.44	-do-	10000	-do-	10000
3.	Industrial workers	5.74	2.87	-do-	2500	-do-	2500
4.	Migrant labourers	5.70	2.85	-do-	2500	-do-	2500
	Total	**31.43**	**15.72**		**16000**		**16000**

Despite an expenditure of Rs.15.72 lakh made by the NGOs, no arrangements were made for providing integrated peer counseling, treatment of STIs, training of representatives of groups at high risk except survey and collection of base line data in 4[3] places. Besides, no action was taken to identify Injecting Drug Users (IDU) and Men having Sex with Men (MSM).

The Project Director PACS stated (August 2001) that two NGOs are having only their head offices at Chandigarh but their operational area covered whole of Punjab State. Regarding IDU and MSM these two projects were not started as these were not on top priority group in Punjab. The reply was not tenable as State based NGO having connectivity with the Community should be involved and IDU and MSM were also covered under the priority groups.

Condom delivery system failed to take off due to defective condom vending machines and non-purchase of condoms.

3.3.1.5.1.1 Condom delivery system

Condom promotion in the groups at high risk is one of the main objectives of intervention group at high risk. The channels through which the

[2] Khanna sports and youth welfare club, Mohali, Indian Society for youth development Chandigarh, AIDS prevention Society, Ludhiana and Society for services to voluntary agencies, Chandigarh.

[3] Mohali, Pathankot, Ludhiana and Jallandhar.

condoms to be distributed were free distribution, social marketing and commercial sales.

Test check of records (January 2001) of the Society revealed that during 1996-2001, 81,000 condoms were purchased under free distribution, of which 69834 condoms could not be used due to defective condom vending machines. Further, against the target purchase of 2 lakh condoms for sale through social marketing during 2000-2001, no purchase was made by the Society as against the total cost of Rs. 51,200 of these condoms only Rs. 25,600 were deposited by the Society.

3.3.1.5.1.2. Wasteful expenditure on defective condom vending machines

For procuring condom vending machines, the technical specifications were prepared by the DHS which inter alia laid down that the maintenance of the machines will be done by the firm free of cost upto warranty period and the firm should quote comprehensive Annual Maintenance Contract afterward. Accordingly, tenders were invited (March 1997) and contract for supply of the machines was given to M/s. R.P.M. High Tech. Machines Pvt. Ltd.Punchkula on the following terms and conditions:

a) The supply will be accepted by the consignee only after the due inspection of the stores to be arranged by the DHS after the receipt of bank guarantee.

b) The installation will be done by the firm free of cost and the equipment will be repaired by the firm free of cost for one year.

c) 90 per cent payment shall be released against physical delivery duly supported by inspection note and vouchers duly verified by the consignee and the balance 10 per cent payment shall be released within 30 days after the installation and satisfactory performance of the equipment.

The department had not made any condition in the supply order for comprehensive maintenance contract after warranty period.

Expenditure of Rs. 22.61 lakh was rendered wasteful on purchase of defective condom vending machines.

The DHS Punjab issued supply order (March and November 1997) to the firm for supply of 85 and 300 single condom vending machines. 85 machines were supplied by the firm in October 1997 at the cost of Rs. 4.99 lakh. The machines were received without proper inspection and delivered to the Indian Red Cross Society for installation at various places through its branches in the State. The DHS instead of making 90 per cent payment, released 100 per cent cost of the machines (November 1997). Out of these 85 machines, 55 were installed upto February 1998. The machines reportedly went out of order immediately after installation. Working of the machines was also not found satisfactory by the representatives of NACO nominated for the inspection which directed (February 1998) the DHS to get the evaluation of the design/fabrication of the machines done from Government agency like IIT before taking the delivery of the remaining 300 machines. Despite this, DHS obtained the delivery of remaining 300 machines in March 1998 and released (March 1998) Rs. 17.62 lakh representing their 100 per cent value. These machines were delivered directly by the firm to the Indian Red Cross Society Punjab, Chandigarh for installation at various places through its branches in the State. Test check of records of the Punjab SACS and information collected from District Red Cross Societies revealed that out of 385 machines only 107* (including 55 already installed) were installed between November 1997 and August 1998 in 7* districts and all the machines were lying out of order. The remaining 278 machines were lying uninstalled with Indian Red Cross Society (230) and District Red Cross Societies (48)$.

Thus, non observance of tender conditions regarding the payment of only 90 per cent, purchase of defective machines and failure on the part of the department to get these repaired resulted in wasteful expenditure of Rs. 22.61 lakh. Besides, 69834 condoms purchased under the programme could not be used which adversely affected the programme to check HIV infections in high-risk groups. The above facts were admitted by the Asstt. Director Punjab State AIDS Control Society, Chandigarh (December 2000).

3.3.1.5.2. Preventive intervention for the general community

The preventive intervention for general community includes (i) IEC and awareness campaigns, (ii) Providing voluntary testing and counseling, and (iii) reduce transmission by blood transfusion and occupational exposure.

(i) IEC and awareness campaigns

Activities under the IEC and awareness campaigns include conducting mass media campaign at State and municipal levels, conducting local IEC campaign, use traditional media such as folk arts and street theatre, promoting advocacy campaigns, conducting awareness programme geared towards youth and college students and organizing Family Health Awareness Campaigns for control of STI and RTI infections etc.

(a) Test check of records (December 2000) revealed that no targets were fixed for the IEC awareness campaign. However, to raise awareness in the public, AIDS awareness camps were organized in all districts through Government agencies. The campaign was mainly taken up through hoardings, balloons and distribution of posters and scooter stepny covers etc. Effective mass media campaign such as Doordarshan (DD), Cable Television, Conferences to mobilize social and community leaders were not used. One TV, VCR, Telefilm and a Camera procured during 1997-98 at the cost of Rs. 7.11 lakh for IEC purposes were lying with DHS, Punjab, Chandigarh and not transferred to Society affecting the awareness campaign adversely.

Non-transfer of IEC material worth Rs. 7.11 lakh to Society affected the awareness campaign

(b) Audit scrutiny (December 2000) further revealed that funds of Rs. 28.08 lakh were provided (November 1999) under the Family and Health Awareness Campaign to 9 Civil Surgeons to raise the level of awareness in rural areas and slum dwellers' families but feed back data regarding population covered, tests conducted, patients identified and drugs distributed during the campaign was not furnished by the Civil Surgeons, besides 5 out of 9 Civil Surgeons had not submitted the details of

* Bhatinda (10), Faridkot (15), Hoshiarpur (10), Moga (30), Mansa (22), Patiala (14), Ropar (6)
$ Bhatinda (5), Jalandhar (15), Mansa (8), Patiala (1), Ropar (19)

expenditure (Rs. 14.80 lakh) alongwith supporting vouchers/ bills etc to the Society. Thus, achievement in promoting public awareness about HIV/AIDS was not satisfactory although funds were not a constraint.

(ii) Providing voluntary testing and counseling

The programme envisaged (a) increasing availability of and demand for voluntary testing, especially joint testing of couples (b) training of grass root level health care workers in HIV/AIDS counseling; (c) providing counseling services through blood banks and STI clinics. It was envisaged that one voluntary testing centre would be established in each district. Test check of records (April 2001) of the Society revealed that out of 17 districts only one voluntary counseling and testing centre was functioning in the State (Department of Microbiology, Government Medical College Amritsar). Two more voluntary counseling and testing centres (Govt. Medical College Faridkot and Patiala) though sanctioned by NACO had not started functioning (November 2001).

Despite availability of funds, only one counseling centre was established in the State and no counsellor was appointed by the Society.

Further, for testing of HIV on voluntary basis on one time grant Rs.1.20 lakh for equipment and annual recurring grant was provided by NACO for salary of two counsellors (Rs.96,000) and miscellaneous expenses (Rs.24,000). Test check of records (December 2000) revealed that even though grants for the purpose was released by NACO, Society could not appoint any counsellor as of March 2001 as the post carries a meager salary of Rs. 4000 (fixed) per month. It was further seen that neither NACO has revised the rate of salary nor Society has taken any steps to get it enhanced from NACO. This resulted into non-providing of benefits of counseling to the intended beneficiaries.

(iii) Reduce transmission by blood transfusion and occupational exposure

As per blood safety policy, testing of every unit of blood is mandatory for detecting infections. In order to carry out such tests, blood-testing centres will provide blood samples for detecting clinically suspected HIV/AIDS cases

As per NACO instructions, Zonal Blood Testing Centres (ZBTC) are required to be established in each city with a population of above 5 lakh and two laboratory technicians were required to be appointed in each ZBTC. Test check (June 2001) of records revealed that ZBTCs were established in 3 cities (Amritsar, Patiala and Ludhiana) by the Government whereas no ZBTC was established at Jalandhar having population exceeding 5 lakh. Laboratory technicians were also not provided to these ZBTCs (December 2000).

Society stated (August 2001) that ZBTCs were started by NACO all over India as per their guidelines and only in big cities like Amritsar, Ludhiana and Patiala in Punjab. However, no reason for non-appointment of laboratory technicians was given.

3.3.1.5.3 Low Cost AIDS Care

The activities under the programme was to improve the quality and cost effectiveness of interventions offered by existing procedures and to

No care was provided to AIDS infected persons and no community centre and drop in care centres were established.

establish new support services for care for persons with AIDS in partnership with NGOs and CBOs by establishing small community based hospitals, hospice programmes, drop in centres and home based care centres.

Test check of records (December 2000) of Punjab State AIDS Control Society revealed that though funds of Rs. 16.05 lakh (1999-2001) were provided by NACO, yet no expenditure was incurred under this component. Further no NGO, CBO and public sector organization was established in the State to improve the quality and cost effectiveness of care provided for persons with AIDS. As per information supplied to audit, there were 128 infected persons as of March 2001 in the State, but the Society failed to provide necessary care to these infected persons as neither any community care centre was established nor drugs for their treatment were provided. It was further noticed that no proposal for establishing the care centres was forwarded by the Society to NACO. Consequently, the funds received for the purpose remained unutilized resulting in denial of benefit to intended beneficiaries.

3.3.1.5.4 Programme implementation

Programme implementation was done by State AIDS Control Cell and grants were released by NACO through State Finance Department upto March 1998. From April 1998, the programme implementation was entrusted to State AIDS Control Society and NACO released the funds to this Society. On transfer of implementation of the project from SACC to SACS, the funds issued by GOI and assets purchased out of such funds were to be transferred to the Society which was responsible for implementation of the programme. Test check of records of DHS (December 2000) however, revealed that unutilised balance of Rs. 3.32 lakh as on March 1999 with the State Government were not released to the Society. In addition, the material like camera, video cassette recorder, telefilm, fax machines, air conditioners etc. worth Rs. 11.47 lakh purchased by DHS out of funds received from GOI under the programme during the year 1996-98 was also not transferred to the Society as of May 2001. Test check of records further revealed that the funds released by GOI during the years 1996-98 were utilized by AIDS Cell under the charge of DHS largely for the purchase of material. Neither budget provision was made for imparting training to the NGOs nor for the purchase of critical equipment, provision of staff and no NGO was involved for creating awareness about AIDS to reduce the spread of HIV in groups at high risk which affected the programme implementation adversely.

3.3.1.5.5 STI/HIV/AIDS sentinel surveillance

Surveillance of STD constitutes an important component of prevention and control of HIV/ AIDS. The objective of this activity is to develop an effective system by generating a set of reliable data. Two approaches have been identified (i) aetiological based information will be collected through existing STD clinics having laboratory support and (ii) syndrome based information will be collected through peripheral health institutions under the primary health care system in the district. The activities under this component include (a) Sentinel surveillance in every State (b) STI surveillance through specific survey (c) Behaviour surveillance surveys; and (d) AIDS cases surveillance.

As of March 2001, 7 surveillance centres were functioning in the STD clinics in the State since April 1998. Though 3 more proposed to be opened by the end of March 2001, these have not been opened so far due to non-receipt of approval from NACO. However, no target for conducting survey was fixed by the Society. The survey was conducted by the skin and STD department, Amritsar for high risk group of patients infected with sexually transmitted diseases only. No low risk case had been surveyed.

3.3.1.5.6 Training

Training is an important function of programme management. During 1999-2000, all the training of the trainers at various levels as well as induction training was to be completed. The remaining period of the project was to be devoted to refresher training and some induction training.

No training was provided to medical and para medical staff in the field.

The programme envisaged imparting training to trainers and health staff. Expenditure on training was to be incurred by making separate budget provision under each component. Test check of records revealed that during 1999-2001, neither separate provision for training under each component was made nor the number of persons to be trained was fixed. As per informations provided (April 2001) to audit, 30 doctors of State Core Team were trained for imparting training to doctors of district level core teams, which trained only 170 doctors in the State. It was further noticed that only one district (Ropar) was covered where 143 field doctors were imparted training by the district level core team. No other district was covered and also no training was given to health workers and nurses at ground level medical institutions. The utilisation of trained manpower in strengthening the management capacity under various components of the programme was not furnished.

3.3.1.6 Procurement of equipment and other stores

3.3.1.6.1 Irregular purchase of equipment

As per guidelines, the procurement arrangement to be undertaken in the Project would be the responsibility of the implementing agency, the National AIDS Control Organisation (NACO) of the Ministry of Health and Family Welfare, Government of India and the State and Municipal Societies. Computer equipment, laboratory support equipment and furniture would be procured under local shopping procedures by the Society. Larger blood bank equipment, needle shredders, needle crushers and HIV, HCV and Western Blot kits would be procured through NACO.

Rs. 12.39 lakh were spent on purchase of equipment not provided under guidelines

Test check of records (December 2000) of DHS revealed that instead of purchasing blood bank equipment, 17 Air Conditioners, 3 TV with V.C.Rs, 1 Laminating Machine and 25 Fax Machines amounting to Rs.12.39 lakh were purchased by the DHS from different firms during

March 1997 and March 1998. The purchases were in contravention of the guidelines issued by GOI and thus, irregular.

On being pointed out (December 2000), the Punjab AIDS Control Society stated (December 2000) that there were no specified guidelines to purchase the air conditioners but these were purchased keeping in view the urgency of work to protect perishable test kits sera, blood samples etc. However, no reply was given in respect of other equipments. The reply of the Society was not tenable as the purchases made in contravention of the guidelines of GOI.

3.3.1.6.2 Irregular payment for purchase of hoarding

As per guidelines, purchases should be made by inviting quotations from at least three suppliers to ensure competitive prices. Test check of records (April 2001) of SACC revealed that payment of Rs. 2.50 lakh was made to a firm (M/s Twenty first Century; New Delhi) through cheque dated 18th November 1997 on the basis of invoice dated 18th November 1997 received from the firm for Main Pavilion Hoardings (Level - I) (20' x 2.5') at Punjab Cricket Stadium, Mohali. Audit scrutiny further revealed that the payment was made for the material for which neither the quotations were invited nor the purchases were approved by the Purchase Committee. The third party cheque was handed over to the firm through IEC officer of the Society for which the actual payee receipt was also not available in the records. The facts were admitted (April 2001) by the Additional Project Director of Punjab AIDS Control Society, but no reasons were given for not following the codal provision and non-maintenance of records.

3.3.1.7 Monitoring & evaluation

Lack of monitoring and evaluation of the programme as envisaged.

For complete appraisal of the programme, the SACC was to monitor effective implementation of the programme. However, except for compiling progress reports of financial and physical achievements, no monitoring and evaluation system was evolved and no mid-term/final evaluation of NACP-I was done. Further, NACP-II envisaged that monitoring and evaluation would be conducted by an outside agency at base line, interim and final years. Reports of performance and expenditure would be sent to NACO periodically as prescribed. But, except for preparing and sending the prescribed reports, no monitoring of the activities was ever conducted as envisaged to evaluate the performance of the programme and its impact on the people. Thus, the overall impact of the programme for reducing and controlling incidence of AIDS remained un-assessed.

3.3.1.8 Conclusion

The programme was not effectively managed and implemented. The achievements under sub-components were not substantial and in most of the cases targets were not fixed. The activities particularly under priority targeted intervention for groups at high risk and low cost AIDS care components were negligible and whatever the achievements were there under other components remained dormant due to lack of effective management, implementation and monitoring and evaluation of the programme at State level. The counsellors were neither appointed by the Society due to less salary nor any steps were taken with the NACO to increase the salary of the counsellors which deprived the benefits of counseling to the intended beneficiaries. The Society had sufficient balance in its account as on March, 2001 due to less expenditure on all the components. No expenditure was incurred for training of NGOs. The condom vending machines purchased for awareness of AIDS programme were defective which defeated the purpose for which these were purchased.

3.3.2 National programme for Control of Blindness

3.3.2.1 Introduction

The National programme for control of blindness, a cent per cent Centrally sponsored programme, was launched in 1976 to achieve the goal of reducing the prevalence of blindness upto 3 per thousand of population by the year ending 2000. The various activities of the programme included establishment of Regional Institutes of Ophthalmology, upgradation of medical colleges, district hospitals, development of mobile eye units, deployment of required manpower and provisions of various opthalmic services.

3.3.2.2 Organisational set up

At State level, Director Health Services (DHS) assisted by State Programme Officer (SPO) was responsible for implementation, monitoring and evaluation of the programme. At the district level, the programme was implemented by District Blindness Control Society (DBCS) under the chairmanship of Deputy Commissioner (DC) assisted by Civil Surgeon, District Programme Manager (DPM) and other medical/para-medical staff. Though SPO has been appointed at State level but the funds were provided by the GOI directly to the DBCSs without involving the SPO. The expenditure made by the Societies duly audited by the chartered accountants were also sent direct to the GOI.

3.3.2.3 Scope of audit

The records of DHS Punjab, Chandigarh and 10* District Blindness Control Societies for the period 1996-2001 were reviewed in audit during December 2000 to April 2001. The results of test check are embodied in the succeeding paragraphs:

3.3.2.4 Financial arrangement

Under the programme, cent per cent Central assistance was to be provided by the Government of India (GOI) to the State Government and also direct to District Blindness Control Societies. The position of funds released by GOI during the year 1996-2001 was as under:

Funds released by GOI to DBCSs.

(Rupees in lakh)

Year	Funds released by GOI	Funds received by societies	Expenditure incurred by societies	Savings (-) Excess (+)
Opening balance		15.40		
1996-97	57.00	24.00	18.33	(-)21.07
1997-98	50.50	54.00	46.59	(-) 7.41
1998-99	51.50	50.50	47.88	(-) 2.62
1999-2000	32.10	49.00	57.73	(+) 8.73
2000-2001	-**	67.00+5.50*	55.05	(-) 17.45
Total	**191.10**	**265.40**	**225.58**	(-) 39.82

* *Interest on deposits*

** *Grants released by GOI during 2000-2001 not supplied*

(i) The GOI released Rs. 1.91 crore to 17 DBCSs during 1996-2000. Test check of records of these DBCSs, however, revealed that in 15 DBCSs, there was a difference of Rs. 53.40 lakh (Rs.76.40 lakh excess in 11 DBCSs and Rs. 23 lakh short in 4 DBCSs) between the funds released by GOI and those received by the DBCSs. The discrepancies had not been reconciled as of November 2001.

(ii) Against the funds of Rs. 2.66 crore (Rs. 2.45 crore released by GOI, Rs. 15.40 lakh unutilized balance upto March 1996 and Rs. 5.50 lakh interest on deposits) available with the DBCSs, expenditure of Rs.2.26 crore only was incurred during 1996-2001 and balance Rs. 39.82 lakh (15 per cent) was still lying unutilized with the DBCSs.

* Amritsar, Bathinda, Fatehgarh Sahib, Ferozepur, Jalandhar, Ludhiana, Moga, Patiala, Ropar and Sangrur.

B. Funds released by GOI to DHS.

(Rupees in lakh)

Year	Opening balance	Funds released by GOI to State Government	Total	Expenditure incurred by DHS	Closing balance
1996-97	43.66	-	43.66	2.43	41.23
1997-98	41.23	22.50	63.73	3.76	59.97
1998-99	59.97	45.80	105.77	3.41	102.36
1999-00	102.36	5.25	107.61	2.44	105.17
2000-01	105.17	42.60	147.77	-	147.77

Out of Rs.1.60 crore released by GOI during 1996-2001 for implementation of the programme, Rs. 0.12 crore only were utilized.

It would be seen that during 1996-2001, GOI released Rs.1.60 crore(including unspent amount of Rs. 43.66 lakh of previous year) for implementation of the programme against which the State Government released only Rs. 12.04 lakh to DHS and retained balance Rs.1.48 crore (92 per cent) as of March 2001. The unspent balance was carried over year to next year and no funds were released by the State Government and expended by the DHS during the year 2000-01. Deputy Director (Ophth.) stated (April 2001) that the amount for new components of ninth five-year plan was not released by the State Government. However, reasons for non-release of funds by the Finance Department were awaited (November 2001).

C. Irregular retention of funds in fixed deposits

The DC. i.e. Chairman of DBCS Fatehgarh Sahib requested (June 1999) Director General Health Services, New Delhi for release of funds to clear the liabilities of Rs. 3.38 lakh for the year 1998-99. Accordingly, GOI released Rs. 6 lakh in September 1999. The DBCS cleared liability amounting to Rs. 1.35 lakh only and instead of clearing the remaining liabilities and payments of current expenditure, funds amounting to Rs. 3.50 lakh were placed in fixed deposit with a bank in contravention of general financial rules. Moreover no instructions were given by the GOI to the Societies for refund of the amounts lying in the saving bank accounts/FDRs of the Societies.

The Accounts Officer of the Civil Surgeon Fatehgarh Sahib admitted the facts (April 2001) but no reasons for deposit of funds in FDRs were intimated.

3.3.2.5 Plan of action

To implement and monitor the activities during a year, DBCS is required to prepare a plan of action and send it to State Programme Officer for necessary action. Once the plan is approved by the Society and concurred by the State Government, the cost mentioned therein becomes approved budget for DBCS. Each plan have 4 components (1) Cataract surgery, (2) Screening for refractive errors and provision of spectacles, (3) Rehabilitation of incurable blind and (4) IEC activities. Component wise position of targets and achievements during 1996-2001 are given in the succeeding paragraphs:

3.3.2.5.1 Cataract surgery

The targets for cataract operations for State are fixed by GOI and the same are allocated to 17 DBCSs which are to be achieved through eye camps organized by programme manager of area in hospitals, private nursing homes and community health centres/primary health centres. Targets fixed for cataract surgery and achievements reported there against by the State during 1996-2001 were as under:

Year	Target	No.of cataract operations done by other than pvt. medical practitioner	No. of operations done by private medical practitioner	Total no. of cataract operations reported by DBCS	%age of other than medical practitioner	%age of private medical practitioner	%age achievements of the DBCS
1996-97	120000	70698	48656	119354	58.91	40.55	99.46
1997-98	134400	65894	60298	126192	49.02	44.87	93.89
1998-99	147850	84614	60271	144885	57.23	40.76	97.99
1999-0	150000	76380	56246	132626	50.92	37.49	88.41
2000-01	160000	87114	53621	140735	54.44	33.51	87.90
TOTAL	712250	384700	279092	6,63,792	54.10	39.44	93.59

Achievements of cataract operations were inflated by 34 to 45 per cent.

Audit scrutiny (April 2001) revealed that achievements reported to GOI were inflated between 34 and 45 per cent during 1996-2001 as operations conducted by private medical practitioners were also included in the reports. It was further noticed that against 2152 actual cases in the month of March 1999, DBCS Jalandhar reported to DHS 10360 cases of cataract surgery; thereby 8208 cases were shown in excess by inflating the figures. The facts were admitted (March 2001) by the Civil Surgeon Jalandhar.

3.3.2.5.1.1 Central purchase of material and equipments not done by the State Government

No purchase was made against Rs.1.03 crore released by GOI for the purchase of equipments as funds were retained by the State Government.

Test check of records (February 2001) of DHS revealed that grant of Rs.1.03 crore was released (September 1999) by GOI under the programme for the procurement of Ophthalmic equipments, Intraocular Lenses and Sutures during 1999-2000. But no purchase was made by the State Government or authorized agencies and the funds remained unutilized as of March 2001. On being pointed out, the DHS attributed non-purchase of equipment to non-issue of sanction by the State Government. No reason for non-issue of sanction by the Government was given. Non-purchase of materials and equipment adversely affected the programme implementation.

3.3.2.5.1.2 Excess expenditure on purchase of drugs and consumables for cataract operations

As per guidelines issued by GOI, the total expenditure on drugs and consumables should not exceed Rs.150 per cataract operation.

Excess expenditure of Rs. 5.06 lakh was made on 3733 cataract operations conducted by DBCS Amritsar.

Test check of records (February 2001) of DBCS Amritsar revealed that an expenditure of Rs.10.66 lakh was incurred on drugs and consumables for 3733 cataract operations conducted during 1996-2000 against the admissible expenditure of Rs.5.60 lakh at the rate of Rs 150 per operation. This resulted in excess expenditure of Rs.5.06 lakh.

On being pointed out (February 2001), Technical Advisor DBCS Amritsar stated (February 2001) that the drugs and consumables were used in OPD cases. The reply of the department was not tenable as there was no provision in the scheme to incur expenditure on OPD cases.

3.3.2.5.2 IEC activities

The IEC activities were limited to displaying of hoardings and distribution of pamphlets in the State. No IEC activities through film shows, advertisement, spots on Doordarshan, folk shows etc. were taken up as no funds for such activities were provided by the GOI.

3.3.2.6 Eye banks

Development of eye banks was marked as an important activity for the problem of Corneal Blindness. There were two eye banks (Amritsar & Patiala) in the State during 1996-2001 where 96 eyes were received and implanted. During checking of records of eye banks, it was noticed (August 2000) that no funds were provided to the eye banks for purchase of equipments etc. by the Government of India/State Government. Only one refrigerator each was available in the eye banks for preservation of the donated eyes. The other items like deep freezer, specular and operating microscope etc. were not available in the eye banks.

3.3.2.7 Grants-in-aid to voluntary organisations

Grants-in-aid to voluntary organizations is given after holding eye camps and operations done by them and duly checked by DPM and eye specialist of the Eye Mobile Units. Further, financial assistance is provided to those voluntary organizations/institutes which are registered under Indian Registration Act 1860, a charitable non-profit company, a registered public trust or any registered non-official organization engaged in social welfare.

Undue financial aid of Rs.9.34 lakh was given to unregistered NGOs.

Test check of records (November 2000 to April 2001) of DBCS Fatehgarh Sahib, Ferozepur, Ludhiana and Sangrur revealed that financial assistance to the tune of Rs. 9.34 lakh was provided to 93 NGOs during 1996-2001 even though these NGOs were not registered and therefore not eligible for grant of financial assistance.

3.3.2.8 Other points of interest

3.3.2.8.1 Irregular expenditure on Mega Eye Camps

GOI provided (September 1997) Rs. 3 lakh to DBCS, Ropar for organization of Mega Eye Camps in connection with celebration of 50th anniversary of India's Independence. The expenditure was to be made at State level during 1997-98 on IEC by mass publicity through multimedia i.e regional DD/AIR/State Publicity units etc. (Rs.2 lakh), monitoring and supervision of Mega Eye Camps (Rs. 0.70 lakh) and for organizing meetings at State Headquarter to discuss the strategies and activities to be undertaken during Mega Eye Camps (Rs. 0.30 lakh).

Test check of records (January and April 2001) of the DBCS Ropar and DHS Punjab revealed that the utilization certificate of the whole (Rs. 3 lakh) amount was sent to GOI during 1997-98 even though expenditure of only Rs. 1.41 lakh was made during 1997-98 in connection with Mega Eye Camps. The expenditure of Rs.1.57 lakh (Rs.1.50 lakh on production of TV spot from a private firm instead of Government electronic media and Rs.0.07 lakh on miscellaneous expenses) was incurred during 1998-99 and the balance amount of Rs.0.02 lakh was still lying unutilized. Thus, the expenditure of Rs. 1.57 lakh was irregular.

In reply, the department stated (April 2001) that expenditure was incurred for Mega Eye Camps for the preparatory activities. The reply of the department was not tenable as the whole expenditure was required to be spent for the Mega Eye Camps during 1997-98 through Government electronic media.

3.3.2.8.2 Irregular expenditure on purchase of assets

As per guidelines, surgical instruments, sutures and vehicles etc. should not be purchased by the DBCSs as these were not empowered to create immovable assets or construction of buildings.

Assets worth Rs.5.71 lakh were purchased in contravention of the guidelines.

Test check of records (February to April 2001) of 5* DBCSs revealed that non-consumable items such as medical equipments, electrical gadgets and furniture amounting to Rs.5.71 lakh were purchased during 1996-2001 against the provisions of guidelines.

On being pointed out, the department stated (February to April 2001) that the fixed assets were purchased as per urgent requirement of the DBCSs. The reply was not tenable as the grants-in-aid could be used for the purchase of consumables only.

3.3.2.8.3 Purchase of medicines without following the codal requirements

As per guidelines, all the purchases above Rs.5000 should be done through the local purchase committee and on competitive rates by local biding or purchase from firms on rate contract.

Test check of records (February 2001) of DBCS Amritsar revealed that the purchase of medicines/ surgical articles amounting to Rs.8.13 lakh was

* Amritsar, Bathinda, Fetehgarh Sahib, Moga and Ropar

made during 1996-2001 from the local market. Audit scrutiny further revealed that neither quotations were invited nor were the purchases made from the firms on rate contract. The approval of the purchase committee was also not obtained. The guidelines issued by the GOI were not followed for these purchases.

The Technical Officer DBCS Amritsar stated (February 2001) that all the medicines were purchased from the authorised agencies/dealers. The reply of the Society was not tenable as the purchase of medicines without approval of the purchase committee and by not following the codal provisions was irregular and also denied the economic benefit of competitive rates.

3.3.2.8.4 Irregular appointment of District Programme Managers

As per guidelines, the post of DPM must be advertised in the local newspapers and candidates having experience of atleast three years in administration and management in health or other related sectors should be selected by the selection committee.

Ineligible and rejected persons were appointed as District Programme Managers.

Test check of records (December 2000 to April 2001) revealed that the persons appointed as District Programme Managers by DBCS Bathinda (July 1995), Fatehgarh Sahib (March 1998), Moga (February 1999) and Sangrur (September 1997) were having no experience either in health administration or programme related sectors. Further, the appointments were not made by selection committees in the case of Bathinda and Sangrur whereas in the case of Moga, person appointed had already been rejected by selection committee. On being pointed out, the facts were admitted but no reasons for irregular appointments were given.

3.3.2.9 Monitoring and evaluation

The State Programme Management Cell was responsible for the monitoring and evaluation of the programme at State level. Audit scrutiny and informations supplied (April 2001) revealed that though the evaluation of the programme had been done at district level and all the reports were sent by DBCSs to GOI, no monitoring and evaluation of the programme was done at State level.

3.3.2.10 Conclusion

The implementation of the programme suffered from various deficiencies. The achievements of cataract operations were inflated by 30 to 45 per cent. No effective activities were undertaken under IEC. The State Government retained Rs. 1.03 crore provided by the GOI for the purchase of material and equipment effecting the implementation of the programme adversely. The unspent amount of Rs.39.82 lakh were kept in saving bank/FDRs against the instructions of GOI. No further instructions were given regarding refund of unspent amount to the G.O.I. There was no monitoring and evaluation at State level.

The above material was developed into draft review and the same was forwarded(May 2001) to the Secretary to State Government for comments within six weeks. The matter was followed up demi-officially with reminder to the Secretary in July 2001. In spite of such efforts, the reply had not been received (November 2001).

SECTION 'B'-AUDIT PARAGRAPHS

AGRICULTURE DEPARTMENT

3.4 Ungainful expenditure on construction of STLs and purchase of equipment.

The expenditure of Rs.50.15 lakh incurred on the construction of buildings of STLs and purchase of equipment and material had not produced any tangible benefit to farmers for 2/4 years.

To provide soil testing facilities to the farmers, Punjab Government approved the setting up of Soil Testing Laboratories (STLs) at Pattran, Derabassi (District Patiala) and Dhuri (District Sangrur) at a cost of Rs. 20 lakh each (Rs.14 lakh for land and building, Rs.5 lakh for machinery and equipment and Rs.1 lakh for material and supply). The Director of Agriculture, Punjab (Director) released Rs.60 lakh between June 1996 and June 1998 to the Chief Agricultural Officer (CAO) Patiala (Rs. 40 lakh) and CAO Sangrur (Rs. 20 lakh). Funds (Rs. 36.54 lakh) for the construction of buildings of STLs were deposited by the CAOs with the XEN Public Works Department (Panchayati Raj) Patiala (Rs.22.54 lakh) and Sangrur (Rs.14 lakh) between December 1997 and September 1999.

Audit scrutiny of records of CAOs Patiala and Sangrur (May -June 2000) and information collected subsequently (August 2001) revealed that the buildings at Derabassi, Dhuri and Pattran could not be made functional due to incomplete boundary walls and non-provision of electricity connection & sanitary fittings etc. Notwithstanding this, CAOs/Director purchased equipment and material valuing Rs.13.61 lakh between October 1998 and March 2000, which were lying unused with concerned CAOs. Thus, entire expenditure of Rs. 50.15 lakh remained ungainful as no tangible benefit could be provided to the farmers for 2 to 4 years.

The Director of Agriculture stated (June 2001) that the funds were deposited with the executing agencies well in time but construction could not be completed by executing agencies. However, no reason for delay in completion of buildings was given. The reply of the department was not tenable as the funds were initially kept by the CAOs in banks and deposited with the executing agencies late by about one and half year and the equipment and material were purchased without ensuring the completion of the buildings.

The material was developed into a draft audit paragraph for consideration of the Government and the same was forwarded to the Secretary to Government in March 2001 for reply within six weeks. The matter was followed up demi-officially with reminder to the Secretary (April 2001). However inspite of such efforts, no reply was received from the Secretary (November 2001)

Co-operation Department

3.5 Avoidable payment of interest

Delayed payment of loans in Cooperation Department resulted in extra liability of Rs.1.68 crore.

Government of Punjab raised loans between 1983-84 and 1997-98 from National Cooperative Development Corporation (NCDC) for various Co-operative development schemes.

Test check of records of Registrar, Co-operative Societies, Punjab, Chandigarh (RCS) (August 2000) revealed that instalment of Rs. 17.09 crore of loans taken up to 1997-98 (Principal:Rs.9.09 crore and interest: Rs.8 crore) was due for payment to NCDC in February 1999. Although funds had been allocated in the budget during 1998-99 and sanction for drawal of funds was accorded by the Government in January 1999, the payments were not cleared by the treasury upto March 1999. The funds were again provided in the budget for 1999-2000 and revised sanction for the drawal of funds issued (May 1999). The payment, however, could be made only in August 1999 (Principal) and in November 1999 (interest). The delay in payment, thus, resulted in extra payment of interest of Rs. 1.68 crore

On being pointed out (August 2000), Registrar of Co-operative Societies, Punjab stated (April 2001) that payment was not cleared by the treasury during 1998-99 due to financial crisis and clearance of bills were delayed by the treasury during 1999-2000 without assigning any reasons. The reply was not tenable as the repayment of loans/interest being a committed liability was required to be liquidated on due dates. Thus, the lack of proper planning for timely repayment of the loans resulted in extra liability of Rs. 1.68 crore by way of interest. Even if the State Government had availed overdraft from Reserve Bank of India (RBI) for timely payment, it could have saved Rs. 0.59 crore being the difference between interest paid on delayed payment and interest chargeable by the RBI.

The material was developed into a draft audit paragraph and the same was forwarded to Secretary in March 2001 for comments within 6 weeks. The matter was followed up demi-officially with reminder to the Secretary in May 2001. However, inspite of such efforts, the reply was not received from the Secretary (November 2001)

Education Department

3.6 Unfruitful expenditure

The expenditure of Rs. 90.88 lakh rendered unfruitful due to non-starting of science classes.

Following the introduction of 10+2 system of education, the State Government decided to start classes in science subjects at 10+1 and 10+2 level in some of the selected Government Senior Secondary Schools (GSSS) with effect from 1991-92. Instructions were issued (June 1991) that the classes should not be started if the number of students is less than 10.

Test check of records (February 2000 to January 2001) of 5 schools* in 4 districts and information collected subsequently revealed that though 11 science lecturers and 11 senior laboratory attendants were deployed in 5 schools between August 1991 and February 2001, the science classes could not be started upto academic session 2000-01 as students did not opt for the science stream despite the availability of infrastructure in four[6] out of five schools. The expenditure of Rs. 90.88 lakh incurred on the pay and allowances of these teachers for the period from August 1991 to February 2001 was rendered unfruitful.

The Principals of the schools stated (March and August 2001) that the services of the staff were utilized for teaching subjects of Arts stream of 10+1, 10+2 and other lower classes. Director Public Instruction(s) (DPI) (S) Punjab, however, intimated (July 2001) that some of the staff have been transferred (October 2000) and the remaining staff would be transferred shortly.

The reply was not tenable because adequate staff was already available in the schools for teaching subjects in Arts stream of 10+1, 10+2 and lower classes. The plea regarding utilisation of science teachers for teaching subjects of Arts/lower classes was also not tenable because there was adequate staff for teaching lower classes and the periods for teaching provided to science lecturers were given after reducing the number of periods of other teachers. Moreover, science lecturers and senior laboratory attendants were not qualified to teach subjects of Arts stream especially at the Senior Secondary level. Further, only 5 science lecturers

*1. GSSS Kot Shamir (Distt. Bathinda):3 science lecturers between 4/96 and 2/2001
2 -do- Lehri (Distt. Bathinda):1 science lecturers and 3 senior laboratory attendants between 6/94 and 2/2001
3. –do- Joga (Distt. Mansa):3 science lecturers and 2 senior laboratory attendants between 8/91 and 2/2001
4. –do- Jand Sahib (Distt. Faridkot): 2 science lecturers and 3 senior laboratory attendants between 10/95 and 2/2001
5 –do- Sukhpur (Distt. Sangrur): 2 science lecturers and 3 senior laboratory attendants between 3/95 and 2/2001

6 Sr. no. 1 to 4 above

were transferred between October 2000 and June 2001 although the authorities of State Education Department were aware of non starting of science classes. Thus, belated action in shifting part of the staff to other schools reinforced the impression of slackness of the education department, which resulted in unfruitful expenditure.

The material was developed into audit paragraph and forwarded to the Government Secretary in April 2001 for comments within six weeks. The matter was followed up demi-officially with reminder to the Secretary in May 2001. However, inspite of such efforts, the reply was not received from the Secretary (November 2001).

Health & Family Welfare Department

3.7 Infructuous expenditure

Non-functioning of new building of ESI hospital at Ludhiana resulted into infructuous expenditure of Rs 54.86 lakh on electricity charges.

To provide medical care to Employees State Insurance (ESI) workers and their families, Employees State Insurance Corporation (ESIC) got constructed (August 1996) a 272 beded hospital from Punjab Small Industries & Export Corporation (PSIEC) in the existing premises of ESI hospital, Ludhiana at the cost of Rs.16 crore. Consequently, electricity load of the hospital was also increased from 54 KW to 1400 KW in July 1999 to make the new hospital building functional.

Audit scrutiny (October 2000) of the records of the Medical Superintendent ESI hospital, Ludhiana and informations collected subsequently revealed that the hospital building could not be made functional as the possession of the building had not been taken over by ESI hospital authorities at Ludhiana and the hospital continued to operate in the old building as of July 2001. In the meantime, Punjab State Electricity Board (PSEB) started raising bills for increased electricity load on the basis of minimum sanctioned load and adjusted the same from the electricity duty payable by it to State Government. As the new hospital building had not been made functional, expenditure of Rs. 54.86 lakh (difference between actual consumption and minimum charges paid for sanctioned load) for the period August 1999 to July 2001 proved infructuous.

On being pointed out, Director Health Services (SI) Punjab, stated (June 2001) that possession of building would be handed over to ESI Ludhiana by the ESIC authorities after taking charge of building from executing agency after completion. The reply of the department was not tenable as the building had already been taken over (January 2000) by the Regional Director, ESIC, Chandigarh from PSIEC. Further, the department did not take adequate steps to make the building functional despite taking over the building. This resulted not only in infructuous expenditure of Rs. 54.86

lakh incurred for the increased electricity load but also deprived the facility of medical care to ESI workers and their families.

The material was developed into audit paragraph and forwarded to Government Secretary in January 2001 for the comments within six weeks. The matter was followed up demi-officially with reminder to the Secretary in August 2001. However, inspite of such efforts reply was not received (November 2001).

3.8 Mis-utilisation of user-charges

The user-charges Rs.25.40 lakh were misutilised for payment of electricity and telephone bills.

State Government, Department of Health and Family Welfare issued (May 1997) instructions that expenses on electricity, telephone and other charge relating to health institutions brought under the control of Punjab Health Systems Corporation be paid out of the General budget allocated to the Civil Surgeons and no payment on these accounts should be made out of the user-charges collected from patients as user-charges were to be utilised for non salary recurrent purposes i.e., for providing drugs, improving facilities for patients, maintenance of buildings/equipments and incentive for staff.

Audit scrutiny of records (October 1999-December 2000) and informations collected subsequently (March-May 2001) in 8* Deputy Medical Commissioners revealed that user-charges of Rs.25.40 lakh collected from the patients and kept in a separate account were utilised irregularly for the payment of electricity and telephone bills during May 1997 to March 2001. Out of this, Rs.9.78 lakh were recouped to that account and the balance amount of Rs.15.62 lakh had not been recouped as of May 2001.

On being pointed out, the Deputy Medical Commissioners stated (October 1999 –December 2000) that amount will be recouped on the sanction of budget by the Government. The reply was not tenable as the allocation of budget for statutory payments was to be ensured by the Civil Surgeons concerned instead of meeting these payments from the user-charges. The incurring of expenditure from user-charges for the purpose other than the prescribed ones not only violated Government instructions but also adversely affected the objectives of improving the working of health institutions for which these were to be utilized.

The material was developed in to a draft audit paragraph and the same was forwarded to Secretary to Government in May 2001 for comments within 6 weeks. The matter was followed up demi-officially with reminder to the Secretary (August 2001). But the reply was not received from the Secretary (November 2001).

* Faridkot, Ferozepur, Gurdaspur, Ludhiana, Moga, Muktsar, Nawanshahar, Patiala.

Home Department

3.9 Ungainful expenditure on idle staff

Retention of sub-jail staff without any under-trial in the sub-jail resulted in ungainful expenditure of Rs. 34.05 lakh.

The building of sub-jail, Bassi Pathana (District Fatehgarh Sahib) was declared (September 1994) unsafe by the Executive Engineer, Provincial Division No. 2, Patiala. Consequently, the under-trials lodged in the jail were shifted (September 1994) to Central jail Patiala and arms and ammunition lying therein were also shifted (October 1995).

Audit scrutiny (September 2000) of the records of Deputy Superintendent, sub-jail, Bassi Pathana and information collected subsequently revealed that even though all the under-trials and arms and ammunition were shifted to Central jail, Patiala, no arrangements were made to redeploy the staff*. Thus, the retention of staff without any inmate resulted in ungainful expenditure of Rs. 34.05 lakh on account of their pay and allowances incurred between October 1995 and April 2001.

On being pointed out (September 2000), Deputy Superintendent, sub-jail, Bassi Pathana stated (March 2001) that minimum needed staff had been retained for performing necessary duties and keeping the stores and miscellaneous articles. The reply was not tenable as after transfer of all the under-trials and arms and ammunition to Central jail, Patiala, retaining the staff without work for such a long period was not justified. This resulted in ungainful expenditure on their pay and allowances.

The material was developed into a draft audit paragraph for consideration of Government and the same was forwarded to the Secretary to the Government (February 2001) for reply within six weeks. The matter was followed up demi-officially with the reminder to the Secretary (April 2001). However inspite of such efforts, no reply was received from the Secretary (November 2001).

* Asstt./Dy. Superintendent-I: Head Warder 1 to 2: Warder 1 to 7 and Sweeper 1. sanctioned strength: Dy. Superintendent 1, Head Warder 2, Warder 10 and Class IV I.

Industries Department

3.10 Inadmissible investment incentive

Two units were paid investment incentive of Rs.33.73 lakh in absence of lease deed or title of land.

Under the Punjab Industrial Incentive Code-1992 (Code), the new industrial units starting commercial production on or after Ist October 1992 in the specified areas would be eligible for investment incentive at the rate of 20 per cent or 30 per cent of their Fixed Capital Investment (FCI) depending upon the areas categorized for the purpose. Under the code, units not owning land and building would be eligible for incentive if they had rent/lease deed for land/building occupied by them for a period not less than 10 years.

Scrutiny of records (March 2000) of Director of Industries Punjab revealed that two* units were paid (September 1997) investment incentive of Rs.33.73 lakh on their FCI of Rs.1.48 crore which included Rs.6.01 lakh on account of land and development, Rs.41.44 lakh on buildings, Rs.1.01 crore on plant and machinery and miscellaneous fixed assets. It was, however, noticed that the land on which buildings of respective units were constructed was neither in the name of the units nor any lease deed was executed in favour of the units. Thus, the units were not eligible for investment incentive.

The Joint Director (Inc) stated (July-August 2001) that land had been purchased and owned by the partners in both the cases and shown in the balance sheet of the units. Thus, no lease deed was required and investment incentive had rightly been sanctioned and disbursed. The reply was not tenable as the land was in the name of partners instead of the industrial units and did not meet the codal requirements and thus, was not eligible for investment incentive.

The material was developed into draft audit paragraph and the same was forwarded to Secretary to Government in March 2001 for comments within six weeks. The matter was followed up demi-officially with reminder to the Secretary (April – May 2001). However inspite of such efforts, no reply was received from the Secretary (November 2001).

*(i) M/s. Onkar International, Batala Road, Amritsar-Rs. 19.80 lakh
(ii) M/s Shiva Pipes, Kahanpur, (Gurdaspur)-Rs. 13.93 lakh

3.11 Infructuous expenditure

Wood Seasoning Plant was closed down from January 1999 but staff was paid wages for more than two years without any work

Government Wood Seasoning Plant (WSP), Kartarpur, comprising two units viz. Chemical Treatment and Wood Seasoning Plants, was established in 1964 with sanctioned strength of 26 officials/workers against which 11 persons (15 persons up to June 1999) were working. Scrutiny of records (November 2000) of Government Wood Seasoning Plant, Kartarpur and information collected subsequently revealed that being very old and in dilapidated condition, the chemical treatment plant had ceased to work since January 1999 and no funds were provided by the Government for the repair/replacement of the plant. This resulted in the closure (January 1999) of the entire Wood Seasoning Plant as both the units were complimentary to each other and the officials/ workers deployed in these units had remained without work since January 1999. Rs. 25.75 lakh paid between January 1999 and April 2001 to these officials/workers on account of their pay and allowances were, therefore, infructuous.

On being pointed out, the Director of Industries, Punjab stated (May 2001) that the Government had decided (April 2001) to close down Wood Seasoning Plant and transfer the staff to other Centres /Schemes of the department. However, final action regarding shifting of staff is awaited (November 2001).

The material was developed into a draft audit paragraph and the same was forwarded to Secretary to Government in March 2001 for comments within six weeks. The matter was followed up demi-officially with reminder to the Secretary in May 2001. However, inspite of such efforts, the reply was awaited from Secretary (November 2001).

Revenue Department

3.12 Unjustified expenditure out of Calamity Relief Fund

Expenditure of Rs. 81.58 lakh was incurred on the work not specified in the items of expenditure under Calamity Relief Fund.

As per Government of India, Ministry of Agriculture guidelines circulated (March 1997) to the State Government, funds from the Calamity Relief Fund (CRF) could be utilized for restoration to pre-calamity level of damaged public works.

Test check of records (April 2000) of Deputy Commissioner, Nawanshahar and informations collected subsequently revealed that Rs.

84.33 lakh were drawn from the CRF in May, 1999 for payment of compensation to land owners whose land was acquired for construction of Banga-Gopalpur drain. Of this, Rs.78.76 lakh were disbursed to beneficiaries during 1999-2001. Rs.2.75 lakh were refunded (October 1999) to CRF and balance of Rs. 2.82 lakh was lying (April 2001) in saving bank account for payment to remaining beneficiaries. Expenditure of Rs. 81.58 lakh on the payment of compensation to the land owners, being expenditure on original work, was in contravention of the instructions of the Government of India.

Deputy Commissioner Nawanshahar stated (April 2000) that approval was granted (April 1999) by the State Level Committee which was competent in the matter. The reply was not tenable because the expenditure under Calamity Relief Fund was to be made only on the items approved by Government of India, Ministry of Agriculture. The payment of compensation to the land owners for the acquisition of their land was not an approved item of expenditure and as such, the action of State Level Committee was not in conformity with instructions of Government of India.

The material was developed in to a draft audit paragraph and the same was forwarded to the Secretary in December 2000 for reply within six weeks. The matter was followed up demi-officially with reminder to the Secretary in May 2001. However, inspite of such efforts, reply was not received from the Secretary (November 2001).

Soil and Water Conservation and Waste Land Development Department

3.13 Ungainful expenditure on lift irrigation project

Failure of the Government to provide funds for electricity connection resulted in ungainful expenditure of Rs.15.41 lakh incurred on lift irrigation project.

To provide irrigation facilities to the farmers of village Bhaowal (District Ropar), a lift irrigation project to cover 78.25 hectares of land was approved in 1997 by the State Government at an estimated cost of Rs. 15.27 lakh. The work was completed in October 1998 at a cost of Rs. 15.41 lakh.

Audit scrutiny (November 2000) of the records of Divisional Soil Conservation Officer, Mohali revealed that the project remained non operational as the electricity connection could not be provided to the powerhouse. The Divisional Soil Conservation Officer, Mohali stated (November 2000) that Rs.0.45 lakh were included in the estimates under the "Contingent charges" which were meant for providing an electricity connection. However, charges for electricity connection increased substantially and a revised estimate for Rs.18.50 lakh which included provision of Rs.2.23 lakh for electricity connection was prepared and submitted (September 1999) to the Chief Conservator of Soils, Punjab, Chandigarh but no funds had been released so far.

The reply of the department was an after thought as provision for contingent charges were made only for meeting contingent expenditure on the work. A separate provision for electricity connection, being an important component of the project, is required to be made specifically in the original estimates. Thus, the failure on the part of the department to include electricity connection charges in the original estimates and non release of funds as of July 2001 by the Government rendered the entire expenditure of Rs. 15.41 lakh as ungainful besides depriving beneficiaries of the intended benefits.

The material was developed into audit paragraph and the same was submitted to Secretary to the Government in January 2001 for comments within six weeks. The matter was followed up demi-officially with reminder to the Secretary in April 2001. However, no reply was received from the Secretary (November 2001).

Technical Education and Industrial Training Department

3.14 Ungainful expenditure on incomplete buildings of Government Polytechnics

Ungainful expenditure of Rs. 66.81 lakh on construction of Government Polytechnics at Rahon and Muktsar due to abandonment of work.

State Government accorded administrative approval for the construction of Academic Block in Government Polytechnic Rahon in November 1996 at an estimated cost of Rs.2.81 crore and for the construction of Administrative/ workshop block in Government Polytechnic Muktsar in March 1997 at an estimated cost of Rs.3.95 crore. While execution of work at Rahon was entrusted to National Building Construction Corporation (NBCC), Chandigarh and mobilisation advance of Rs. 25 lakh was given in August 1998, the work at Muktsar was entrusted to State Public Works Department.

Audit scrutiny (March 2000) and subsequent information collected revealed that after incurring an expenditure of Rs. 66.81 lakh (Government Polytechnic Rahon Rs. 20.30 lakh and Government Polytechnic, Muktsar Rs. 46.51 lakh) work was abandoned as the State Government decided (September 1998) to explore the possibility of leasing out completed/partially completed buildings to private institutes/industry/ individuals or organizations for technical training institutes, a scheme for which was to be put up by the Department. The work had been at standstill for more than 2 years, rendering the entire expenditure of Rs.66.81 lakh ungainful.

On this being pointed out in audit, the department stated (June 2000) that the construction activities were stopped due to shortage of funds on the order of the State Government. It was observed that the department had not submitted any scheme for leasing out the partially completed buildings. The action of the State Government coupled with inaction of the department reflected poor planning.

The material was developed into draft audit paragraph and the same was forwarded to Secretary to Government in February 2001 for reply within six weeks. The matter was followed up demi-officially with reminder to Secretary (May 2001). However inspite of such efforts, reply was not received from the Secretary (November 2001).

General

3.15 Follow up on Audit Reports

(a) Outstanding action taken notes

The Comptroller and Auditor General of India's Audit Reports represent culmination of the process of scrutiny starting with initial inspection of the accounts and records maintained in the various offices and departments of Government. It is, therefore, necessary that they elicit appropriate and timely response from the executive. Finance Department, Government of Punjab issued instructions (August 1992) to all the Administrative Departments to submit explanatory notes indicating corrective/remedial action taken or proposed to be taken on paragraphs and reviews included in the Audit Reports within three months of their presentation to the Legislature, without waiting for any notice or call from the Public Accounts Committee (PAC).

Though the Audit Reports for the years 1993-94, 1994-95, 1995-96, 1996-97, 1997-98 and 1998-99 were presented to the State Legislature in March 1995, September 1996, March 1997, July 1998, September 1999 and September 2000 respectively, 24 out of 27 departments which were commented upon did not submit explanatory notes ranging between 1 to 5 years on 89 out of 283 paragraphs/reviews as of June 2001 as indicated below.

Year of the Audit Report (Civil)	Total paragraphs/reviews in audit report	No. of paragraphs/reviews for which explanatory notes were not received.
1993-94	37	2
1994-95	58	3
1995-96	47	11
1996-97	56	23
1997-98	37	9
1998-99	48	41
Total	**283**	**89**

Department-wise analysis is given in the Appendix XXV. Departments largely responsible for non-submission of explanatory notes were Public

Works, General Administration, Social Welfare and Industries Departments. Government did not respond to even reviews having important issues like system failure, mis-management and mis-appropriation of Government money. Thus non-receipt of replies hampered the work of PAC.

(b) Outstanding Reports of Public Accounts Committee

Replies to 128 paragraphs pertaining to 20 reports presented to the State Legislature between March 1986 and March 2000 had not been received as on June 2001 as indicated below:

Year of PAC Reports	Total number of reports involved	Number of paragraphs where replies not received
1985-86	3	4
1994-95	2	6
1995-96	6	26
1997-98	3	22
1998-99	5	59
1999-2000	1	11
Total	**20**	**128**

The replies to 128 paragraphs were required to be furnished within 6 months from the presentation of the reports. This had resulted into non-compliance of the observations made by PAC.

CHAPTER – IV

WORKS EXPENDITURE

SECTION – A
REVIEWS

SECTION – B

CHAPTER-IV

WORKS EXPENDITURE

SECTION 'A' – REVIEWS

Public Works Department (Public Health Branch) and Local Government

4.1 Drinking Water

Highlights

Implementation of the Rural Water Supply Programme was not effective as 366 problem villages remained uncovered as of March 2001 despite the availability of funds. Many schemes remained non-functional due to poor maintenance. No control mechanism existed to monitor the drawal of water samples at prescribed intervals. Water was being supplied to many rural areas with the Chemical contents beyond the prescribed limit. Under Urban Water Supply programme, none of the projects taken up during 1997-2000 could be completed as of March 2001 as a result of which supply of potable water continued to remain a distant dream for these towns. At Government level, no monitoring and evaluation of any of the programmes was done. Some of the significant findings are mentioned below :-

- **In violation of guidelines, the Government delayed release of Rs.63.41 crore by one to six months to Public Health Branch during 1997-2001**

(Paragraph 4.1.4.2)

- **Out of 1021 problem villages targetted to be covered during 1997-2001, 366 villages (36 per cent) remained uncovered.**

(Paragraph 4.1.5)

- **While Rs.7.71 crore were spent on 53 schemes without getting their detailed estimates sanctioned, Rs.3.45 crore were spent on 86 schemes in excess of sanctioned estimates.**

(Paragraph 4.1.6.3)

- 35 RWS schemes commissioned at a cost of Rs. 5.60 crore remained non functional from 4 to 42 months due to poor O&M of schemes.

(Paragraph 4.1.7.1)

- Chemical contents of water being supplied through 10 schemes commissioned at a cost of Rs.1.45 crore were in excess of permissible limits and unsafe drinking water was being supplied to inhabitants.

(Paragraph 4.1.8.2)

- Despite receipt of funds from GOI, no activities under IEC and MIS were undertaken.

(Paragraph 4.1.9)

- Central assistance of Rs. 1.84 crore for water supply in 4 towns during 1993-94 to 1996-97 was released by State Government to implementing agency after 5 years.

(Paragraph 4.1.10.2)

- Of the 12 towns to be provided with drinking water during 1997-2000, projects of only 9 towns were taken up but none of them was completed as of March 2001.

(Paragraph 4.1.11)

- After incurring an expenditure of Rs. 20.82 lakh under a State Plan Scheme, the project was taken up irregularly under AUWSP thus depriving other deserving towns of the benefit of AUWSP.

(Paragraph 4.1.12.1)

- The cost of 2 Urban Water Supply Schemes was over estimated by Rs. 21.29 lakh due to inclusion of undeveloped area in the DPR.

(Paragraph 4.1.12.2)

- Levy of departmental charges in excess of prescribed limit resulted in excess expenditure of Rs. 12.15 lakh on the programme.

(Paragraph 4.1.13.1)

- **Non-realisation of requisite share from the Municipal Committees for any of the schemes of AUWSP resulted in extra burden of Rs. 12.60 lakh on State exchequer.**

(Paragraph 4.1.13.3)

4.1.1 Introduction

Provision of adequate and safe drinking water is essential for socio-economic development of a country. Although it is the responsibility of the States, but it being a priority item on the national agenda, the Government of India (GOI) had launched several Centrally Sponsored Schemes for providing drinking water to habitants in Rural and Urban areas. The Water Supply Schemes in Punjab state are mostly based on ground water through deep tubewells or canal water supply. Few schemes in Kandi area are however based on handpumps.

(a) Accelerated Rural Water Supply Programme (ARWSP)

Government of India introduced ARWSP, a Centrally sponsored scheme, to assist the States in its efforts to supply safe drinking water to the identified problem villages under the Minimum Needs Programme (MNP). To improve the quality of life of people in rural areas and to create awareness among them about the hazards of unsafe water, GOI launched (1986) National Drinking Water Mission which was renamed as Rajiv Gandhi National Drinking Water Mission in 1991 and included sub-missions for treatment of drinking water for control of fluorosis, brackishness and excessive iron in the water. In April 1999, the scheme was revamped with the primary objective of covering all rural habitations; especially to (i) reach the unreached with access of safe drinking water; (ii) ensure sustainability of system and source and (iii) preserve quality of water by institutionalizing water quality monitoring and surveillance through a catchments area approach.. Out of total number of 12428 inhabited villages in Punjab 8579 have been identified as problem villages, of which 7770 have been covered as of March 2001.

(b) Accelerated Urban Water Supply Programme (AUWSP)

As the towns with population of less than 20 thousand each were not covered under ARWSP due to requirements of these towns being different from rural areas, the GOI had launched (February 1994) Accelerated Urban Water Supply programme (AUWSP) another Centrally sponsored scheme for providing safe drinking water to the inhabitants of these towns by the end of the Eighth five year plan 1992-97.

4.1.2. Organisational set up

For the implementation of the ARWSP, the Secretary, Public Works Department (Public Health Branch), Punjab, Chandigarh is the State co-ordinator of the programme. He is assisted by two Chief Engineers, Rural

Water Supply (RWS) North and South, Patiala (CEs) and 2 Superintending Engineers (SEs), (SE Project and. SE Monitoring) stationed at Patiala. In the field, there are seven SEs to supervise the programme through a network of thirty Public Health (RWS) divisions, each under the charge of an Executive Engineer (XEN).

The Secretary, Local Government is the nodal agency for implementation of the AUWSP. The Programme is being implemented in the State through Punjab Water Supply and Sewerage Board (PWSSB), Chandigarh. In field, the works were executed through 5 Executive Engineers (XEN) under the supervision of 3 Superintending Engineers (SE).

4.1.3 Scope of audit

A review on RWSP implemented under MNP, ARWSP, Technology Mission(TM) and Rajiv Gandhi Drinking Water Mission (RGDWM) up to the year 1996-97 was included in the Report of the Comptroller and Auditor General of India for the year ended March 1997 (Civil); Government of Punjab. The report was presented to the State Legislature in July 1998, but had not been discussed by the Public Accounts Committee (March 2001).

The implementation of RWS Schemes under MNP, ARWSP, and RGDWM during 1997-2001 was further reviewed between November 2000 and March 2001 by covering eight RWS Divisions* besides records in the office of the CE and three SEs were also examined.

Implementation of the AUWSP for the period 1993-2001 was reviewed between December 2000 and March 2001, by test-check of the records of Special Secretary-cum-Director Local Government, Managing Director PWSSB Chandigarh and the XEN, Water Supply & Sewerage (WSS) Divisions Ferozepur, Gurdaspur and Patiala by covering 3 out of 9 schemes executed in Bagha Purana, Sanaur and Sujanpur towns. The results of the review are incorporated in the succeeding paragraphs.

A. Rural Water Supply Programme

4.1.4 Financial Management

4.1.4.1 Funding pattern

Rural Water Supply Schemes under ARWSP were fully financed by GOI whereas Rural Water Supply (RWS) Schemes under MNP a State sector programme were financed by the State Government (through Planning Board). The Central assistance under ARWSP was allocated on the basis of matching provisions/expenditure by the State under MNP. The expenditure on the programme executed under sub-mission of RGDWM was shared in the ratio

*RWS Division Abohar, Faridkot, Gurdaspur, Ludhiana-I, Mohali, Rajpura, Patiala and Tarn Taran.

of 75:25 by GOI and State Government respectively except in 1998-99 when the ratio of financing was 50:50. From April 1999 onwards, 20 percent of funds released under ARWSP by GOI were allocated towards the projects under sub-missions. GOI also allowed use of upto 15 per cent of the funds released under ARWSP towards O&M of assets created subject to the ceiling of matching grant provided by the State out of MNP provision.

4.1.4.2 Allotment of funds and expenditure

The position of allotment of funds under ARWSP and MNP, and expenditure there-against during the years 1997-2001 was as under:

Accelarated Rural Water Supply Programme (Central Sector)

(Rupees in crore)

Year	Opening balance	Funds released	Total	Expenditure	Unspent balances	Percentage
1997-98	3.18	17.14	20.32	14.75	(-)5.57	27
1998-99	5.57	22.05	27.62	9.91	(-)17.71	64
1999-2000	17.71	23.21	40.92	21.22	(-)19.70	48
2000-01	19.70	17.83	37.53	34.97	(-)2.56	7
Total		80.23		80.85		

The department could utilise only Rs. 80.85 crore against available funds of Rs. 83.41 (Rs. 80.23 + Rs. 3.18) crore during 1997-98 to 2000-01 leaving an unspent balance of Rs. 2.56 crore as of March 2001. The CE, on being pointed out in audit, attributed (March 2001) the non-utilisation of funds to the late release of funds by Finance Department. However, no reasons for late release of funds were intimated by the State Finance Department.

Funds to the extent of 20 percent of the total allocation of a year under ARWSP were allowed to be carried over to the next financial year up to March 2000 and 15 per cent from April 2000. Audit observed that carry over of funds in excess of permissible limit of 15 per cent as on April 2000 resulted in reduction in release of 2nd instalment for the year 2000-01 by Rs. 6 crore, as against allocation of Rs. 23.83 crore, only Rs. 17.83 crore were released during this year.

10 Instalments of Rs.63.41 crore of Central assistance were released late by 1 to 6 months

Further it was noticed in audit that State Finance Department took 1 to 6 months to release 10 instalments of funds amounting to Rs. 63.41 crore to the CE under ARWSP during the period 1997-2001 which affected the execution of schemes.

Minimum Needs Programme (State Sector)

(Rupees in crore)

Year	Opening balance	Allotment of funds	Funds released	Total Funds available	Expenditure	(+ Excess (–) Savings
1997-98	6.87	19.35	16.70	23.57	17.19	(-) 6.38
1998-99	6.38	16.23	12.18	18.56	17.91	(-) 0.65
1999-2000	0.65	36.37	22.73	23.38	16.80	(-) 6.58
2000-2001	6.58	17.50	13.10	19.68	21.09	(+) 1.41
Total		**89.45**	**64.71**		72.99	

The CE spent Rs. 72.99 crore on execution of deposit works of the Planning Department under MNP against the release of Rs. 64.71 crore. The CE stated (March 2001) that excess expenditure was met out of unspent balances of the previous years. The reply of the CE was not tenable as even after adjustment of unspent balances of Rs. 6.87 crore of previous years there was still excess expenditure of Rs. 1.41 crore. The department failed to give a satisfactory reply for this.

In contravention of the guidelines, the State Government released only Rs. 64.71 crore as matching grant against release of Rs.80.23 crore by GOI under ARWSP. Short release of funds to the tune of Rs. 16.52 crore shows the State Government's casual approach in implementing the programme.

4.1.4.3 Operation of current accounts

In violation of financial rules 3 XENs kept funds ranging from Rs. 2.15 crore to Rs. 6.79 lakh with commercial banks.

State Treasury Rules provide that a Government employee may not, except with the special permission of Government, deposit in a bank, money withdrawn from Government Account. Reiterating the provisions of rules Additional Secretary, Finance department issued (August 1999) instructions to close all such accounts and deposit the amount in the treasury. Test-check of records of 3 divisions* (January-February, 2001) revealed that in contravention of the above provisions the XENs were still operating bank accounts with Commercial Banks and funds ranging between Rs.6.79 lakh and Rs. 2.15 crore were kept in current accounts with commercial banks during January 1999 and January 2001. The XENs by operating the bank accounts had, thus, not only violated the codal provisions and instructions issued by the Government by keeping the funds outside Government accounts but also resulted in loss of interest of Rs.8.54 lakh to the State Exchequer at Government borrowing rates apart from Financial aid to the Commercial Banks.

The XEN (RWS) Gurdaspur stated (January 2001) that current account was being operated to achieve the targets. The reply was not tenable, as achievement of target had no relevance with the operation of current account. The XEN (RWS) Faridkot did not furnish any reply while XEN Mechanical Division, Faridkot stated (February 2001) that account was being operated to receive money from other Divisions. The reply was not tenable as all amounts received on behalf of Government could have been paid direct into treasury in accordance with provisions of rules.

4.1.4.4 Fictitious stock adjustment

Stock worth Rs.42.30 lakh was booked fictitiously to 17 RWS schemes to show the Central assistance utilized.

Under the departmental financial rules, fictitious stock adjustments are strictly prohibited and material should be booked to works as per requirement of approved estimates. Review of records of the XEN PH (RWS) Division, Patiala revealed that XEN issued material worth Rs.42.30 lakh to 17 RWS schemes under ARWSP between December 1992 and May 2000. However, it was noticed (May 2001) that this material was lying unutilised. Further, it was seen that material was issued just to show maximum expenditure on RWS schemes under ARWSP and availment of maximum financial assistance from GOI and to utilize the available budget during the concerned financial year. Neither the stock so booked was utilized on these schemes nor had been

* PH RWS Gurdaspur, RWS Faridkot and PH Mech. Faridkot

written back as of May 2001. Further, of the 17 RWS schemes, 2 RWS schemes though had become non-functional prior to April 1999, the XEN had booked stock valuing Rs. one lakh against these 2 schemes between April and June 1999. These schemes had not yet been made functional (May 2001). Inspite of the fact that XEN had been reporting incorrect figures of expenditure under ARWSP, which were subsequently reported to GOI, no action had yet been initiated against the erring officer. On being pointed out by Audit, the XEN stated (May 2001) that material was booked in anticipation of its consumption but due to change in priorities, the material could not be consumed. The reply was not tenable as booking of material in excess of actual requirement to utilise budget grant was against the financial propriety.

4.1.5 Inadequate Planning

4.1.5.1 Targets and achievements

There were total 12428 inhabited villages in the State as per 1991 census; of this 8579 villages were identified as problem villages (PVs) and the department had already covered 7115 PVs upto March 1997. Of the remaining 1464 PVs, the CE had fixed target for covering 1021 PVs during the years 1997-2001 against which only 655 PVs could be covered as of March 2001 as per table given below:

Of 1021 PVs targetted to be covered, 366 villages could not be covered during 1997-2001.

Year	MNP		ARWSP		RGDWM		Shortfall	Percentage
	Target	Achievement	Target	Achievement	Target	Achievement		
1997-98	163	89	90	74	39	12	117	40
1998-99	91	53	90	44	27	1	110	53
1999-2000	152	25	100	119	-	6	102	43
2000-01	126	76	143	154	-	2	37	14
	532	243	423	391	66	21	366	

The shortfall in achievement in overall coverage of PVs during the years 1997-2001 ranged between 14 and 53 per cent. It was further seen that shortfall in achievement particularly under MNP was on the higher side and ranged between 40 and 84 per cent. The CE attributed (January 2001) shortfall to late and less release of funds by the Government. This was indicative of a casual approach towards the scheme as a whole and affected the implementation of programme.

4.1.6 Implementation of the Programme

Rs. 18.46 lakh were spent on water supply scheme Talwandi Sabo, though the town did not fall in rural area.

4.1.6.1 Unauthorised expenditure

The Executive Engineer Public Health (RWS) division Bathinda framed an estimate of Rs. 3.87 crore for augmentation of water supply at Talwandi Sabo and the Secretary Public Health, Punjab accorded administrative approval (March 1998) under ARWSP though Talwandi Sabo had been upgraded to Tehsil level town as per 1991 census. Thereafter the District Development

Planning Board (DDPB) Bathinda released Rs. 1.50 crore under MNP for this scheme, of which the XEN had incurred expenditure of Rs. 18.46 lakh upto March 2001. As the Talwandi Sabo falls in an urban area, the expenditure on the water supply of this town was not a legitimate charge on this programme (MNP). When pointed out (May 2001), the CE did not furnish any reply (June 2001)

4.1.6.2 Unauthorised diversion of funds

The XEN diverted unauthorisedly Rs.13.11 lakh for operation and maintenance out of funds provided by DDPB.

Under the MNP, the District Development and Planning Board (DDPB), Amritsar released Rs.30 lakh (March 2000) to the XEN Public Health (RWS) Division, Tarn Taran for (i) Providing and installation of tubewell (2 RWS schemes), (ii) Replacement of old machinery and repair of OHSR (1 RWS scheme), and (iii) Augmentation of RWS scheme, laying of pipe line (1 RWS scheme). Of this, the XEN without obtaining sanction of competent authority, spent Rs.13.11 lakh on purchase of petty material relating to O&M between April 2000 and November 2000 outside the scope of work for which the funds were released by DDPB. The balance funds of Rs.16.89 lakh were lying unspent with the XEN (January 2001). Thus, the XEN not only unauthorisedly diverted Rs.13.11 lakh but the works for which these funds were released had also not been taken in hand as of January 2001 and resultantly inhabitants of PVs covered under 2 RWS schemes were deprived of the facility of potable water.

4.1.6.3 Expenditure in excess/without sanctioned estimates

Rs.7.71 crore were incurred on 53 schemes without sanction of estimates and Rs.3.45 crore were spent in excess of sanctioned estimates.

No work should be commenced unless a detailed estimate of the work is prepared and technically sanctioned by the competent authority. Where the expenditure is likely to exceed the sanctioned amount by more than five per cent, a revised estimate should be got sanctioned.

In contravention of the codal provisions, 4 XENs* had incurred expenditure of Rs.7.71 crore on 53 RWS schemes during the period 1997-2001 without getting the detailed estimates sanctioned from the competent authorities. It was further noticed that though the excess expenditure on 86 RWS schemes executed by 7 XENs$ had exceeded the amounts of sanctioned estimates by Rs. 3.45 crore ranging between 6 per cent and 155 per cent, the revised estimates were yet to be got sanctioned (March 2001).

The XENs stated (December 2000–March 2001) that detailed estimates/revised estimates were under preparation and would be got sanctioned in due course. However, no reasons for starting work without prior approval of the detailed estimates were intimated.

4.1.7 Operation and Maintenance

Prior to March 1998, the funds for O&M of the RWS Schemes were being allocated on the basis of norms fixed by the department in 1964. However, the State Public Health Department revised these norms from April 1998 onwards.

* RWS Division Faridkot, Gurdaspur, Ludhiana-I and Tarn Taran.

$ RWS Division Abohar, Faridkot, Gurdaspur, Ludhiana-I, Mohali, Patiala and Tara Taran.

Funds released by State Government and provided under ARWSP for O&M of RWS schemes and expenditure incurred there-against during 1997-2001 were as under:

The department failed to utilize Rs. 8.63 crore under O&M besides no funds were diverted for O&M under MNP.

(Rupees in crore)

Year	Requirement of funds as per norms	Funds released	Funds provided under ARWSP	Total	Expenditure
1997-98	49.95	30.33	1.61	31.94	34.17
1998-99	59.29	33.11	2.10	35.21	34.56
1999-2000	98.83	25.00	2.72	27.72	25.50
2000-2001	94.28	28.32	5.63	33.95	25.96
Total		**116.76**	**12.06**	**128.82**	**120.19**

Apart from Rs. 12.06 crore earmarked from ARWSP for O&M, State Government provided Rs. 116.76 crore during 1997-2001. Though Rs. 128.82 crore were available for O&M, the department utilised only Rs. 120.19 crore leaving an unspent balance of Rs. 8.63 crore at the end of March 2001. The State Government failed to earmark funds for O&M under MNP in contravention of the guidelines of GOI.

4.1.7.1 Non-functional schemes

Due to poor maintenance, 35 RWS schemes executed at a cost of Rs. 5.60 crore remained non functional for 4 to 42 months

The records of O&M of RWS Schemes revealed that in 5 divisions* the inhabitants of villages under 35 RWS schemes (27 tubewell and 8 canal based) executed at a cost of Rs.5.60 crore were not provided with safe drinking water for period ranging between 4 and 42 months due to non-functioning of the schemes. When pointed out the XENs stated (November 2000-March 2001) that the schemes could not be kept operational for want of funds. The replies were incorrect as there were savings and the department could not utilize the entire funds provided for O&M during the period 1998-2001.

Thus, even after incurring an expenditure of Rs.5.60 crore on execution of these schemes and another amount of Rs.20.66 lakh on watch and ward of assets of these schemes, the XENs failed to maintain these RWS schemes as a result of which inhabitants were deprived of the facility of potable water during the period the schemes remained non-functional.

4.1.7.2 Idle Machinery

89 Generator and Diesel Engine sets were not put to use for the last 3 to 4 years due to non-provisions of funds.

In Public Health Branch 89 diesel generating sets/diesel engines were purchased between February 1990 and March 1999 at a cost of Rs.1.05 crore to make standby arrangement at water works of RWS scheme to ensure adequate and regular supply of water as per norms in the event of failure of electricity. It was seen that these diesel generating sets/diesel engines were not put to use during the last 3 to 4 years. The XENs stated (September 1999 and March 2001) that the machinery could not be put to use due to non-provision of funds for diesel. The reply was not tenable as department could have utilised the unspent balance of Rs. 8.63 crore under O&M for purchase

* Patiala, Taran Tarn, Faridkot, Moga and Ludhiana-I

of diesel etc. Thus, inspite of availability of required machinery, the department had not been able to provide potable water upto the designed capacity due to frequent failure of electricity.

4.1.8 Rajiv Gandhi Drinking Water Mission- Sub missions

(Rupees in crore)

Year	Opening balance	Central share released	State share due	State share released	Total	Expenditure	Balance
1997-98	9.33	-	2.11	2.00	11.33	3.09	8.24
1998-99	8.24	3.13	1.56	2.60	13.97	6.68	7.29
1999-2000	7.29	10.68	2.67	4.34	22.31	10.38	11.93
2000-2001	11.93	6.98	1.74	14.37	33.28	11.56	21.72

Note: Central/State share upto 31 March 1999 was 75:25 and from April 1999 it was 50:50

4 Projects under sub-mission were not completed even after lapse of 5 years after schedule dates of completion.

The GOI sanctioned 4 Projects of Sub mission under RGDWM namely (i) Desalination-control of brackishness (August 1994) (ii) Control of fluorosis (August 1994) (iii) Scientific source finding water conservation including artificial recharge by rain water harvesting (March 1994) and (iv)Control of fluorosis (September 1994).

Review of working of these projects revealed that the project of (i) Control of brackishness covering 194 villages was scheduled to be completed by the end of 1996 but only 187 villages had been covered upto March 2001. (ii) The project of control of fluorosis (August 1994) was scheduled to be completed within 2 years (January 1996) but one village out of targetted 119 villages was still to be covered (March 2001). The project of control of fluorosis (September 1994) was to be completed by March 1996 but 125 villages against 138 villages could be covered as of March 2001. The fourth scheme scientific source finding water conservation etc. however, could not be started due to non allocation of funds by the State Government. Thus, these projects had not been completed even after a lapse of 5 years from the scheduled date of completion.

4.1.8.1 Non-drawal of samples as per norms

As per norms, the water samples from every RWS scheme were to be drawn twice a year for bacteriological analysis and once for chemical analysis. The scrutiny of records of 6 test checked divisions* revealed that neither any control mechanism was adopted to monitor the drawal of water samples at the prescribed intervals from each RWS scheme nor any records were maintained by the XENs. One of the Sub Divisional Engineers (SDE) under the control of XEN Public Health (RWS) Division, Rajpura did not draw any sample from the RWS schemes under his control during the year 1997-98.

On being pointed out in audit, 4 XENs$ stated (December 2000-March 2001) that samples were drawn at random and could not be tested due to shortage of funds as testing charges were required to be paid. The reasons advanced were not convincing as funds under RGDWSM were released every year and

* RWS Division Abohar, Faridkot, Gurdaspur, Ludhiana I,Mohali and Tarn Taran.
$ RWS Division Abohar, Gurdaspur, Ludhiana I and Mohali.

department had not been able to utilize the entire funds released during the period 1998-2001. Two XENs[#] stated (January-February 2001) that the control register to watch the periodical collection of water samples would be maintained in future. Thus, the supply of safe drinking water to inhabitants of PVs could not be assured. This also indicated the casual approach adopted by the department towards providing potable water.

4.1.8.2 Supply of non-potable water

Under 10 RWS schemes water containing chemical contents beyond acceptable limits was being supplied

(i) Test Check of analysis reports of water samples collected by the department from the rural areas where 10 RWS schemes were in operation (Ropar, Patiala and Mohali) revealed that the quantity of Fluoride, Turbidity, Magnesium and Iron contents were found in excess of acceptable limits in the water being supplied to the inhabitants of the rural areas. This was against the objective of providing safe drinking water to the inhabitants. On being pointed out (December 2000), the XENs while admitting the facts stated that the water was being supplied after chlorination under 3 schemes and in one scheme drilling of new tubewell was being considered. The replies were not tenable as audit scrutiny further revealed that no action was taken to treat the water in 6 schemes. In one of the schemes where chlorination was carried out it was observed that Fluoride was in excess of the permissible level, no action was taken for defluoridation. Thus, inaction on the part of XENs reinforced the impression of slackness towards providing safe drinking water which consequently failed to achieve the objectives of the scheme even after incurring an expenditure of Rs.1.45 crore.

The XEN RWS Faridkot did not take action in 13 cases where the water samples were not found potable.

(ii)The Medical and Health department was also analyzing water samples taken from the RWS schemes to ensure the supply of safe drinking water. On a reference made by audit (January 2001), the Civil Surgeon, Gurdaspur stated that in view of instructions for drawal of samples issued by the CE, no water samples from RWS schemes were being collected. However, out of 37 samples drawn by the Civil Surgeon, Faridkot during 1997-98 and 2000-2001 from RWS schemes of 5 villages, 13 samples of water were not found potable. Though the results of 13 water samples were reported to the XEN Public Health (RWS) division, Faridkot, the action taken on these reports was not intimated to audit (May 2001). Evidently, the inhabitants of villages covered under the schemes where the water samples were not found potable, were forced to consume unsafe water.

4.1.8.3 Water testing laboratories

Despite receipt of Central assistance of Rs. 18 lakh, 9 water testing laboratories were not established.

The Public Works Department (Public Health Branch) had established a water-testing laboratory at Patiala. Against the 12 laboratories sanctioned by GOI, only 3 district level laboratories were established at Amritsar, Bathinda and Ferozepur. Rs. 18 lakh released by GOI for establishment of remaining 9 district level laboratories remained un-utilized (March 2001) with the State Government. Besides, the State's share for establishment of these laboratories was also not released.

[#] RWS Division Faridkot and Tarn Taran.

Audit noticed that against norms of 6000 water sample tests fixed by Government of India for each laboratory every year (18000 sample tests per year for 3 laboratories), 13865 samples (1997-98), 2545 samples (1998-99), 2802 samples (1999-2000) and 924 samples (2000-2001) were tested by these 3 district level laboratories, whereas no norms were fixed by the State Government for the laboratory stationed at Patiala and only 1287 samples (1997-98), 1019 samples (1998-99), 1440 samples (1999-2000) and 448 samples (2000-2001) were tested. This indicated that even in the laboratories established the capacity was under-utilised to the extent of 23 per cent to 95 per cent. The State Government had neither taken effective steps to establish district level laboratories even after receipt of funds from GOI nor monitored the working of the existing 4 laboratories in the State.

4.1.9 Activities under HRD Cell, IEC and MIS.

Against the target of 30 per cent, only 5 per cent women were imparted training besides some districts were completely ignored.

Audit during review of working of Human Resource Development Cell (HRD Cell) observed that no targets for conducting grass-root level training courses upto 2000-2001 were fixed. Participation of female candidates was less than 5 per cent against the norms of 30 per cent. The beneficiaries of Kapurthala, Mansa and Nawanshahar districts were totally ignored for imparting training during 1997-2001, whereas districts of Faridkot and Jallandhar were not represented in training courses conducted during 1997-98, 1999-2000 and 2000-2001. The funds of Rs. 26.34 lakh sanctioned by GOI (December 1999) for computer training were released by Punjab Government after two years (March 2001) and Rs.23.18 lakh released by GOI (October 2000) had not been released by State Government so far (May 2001)

The expenditure on implementation of programme under the Information Education and Communication (IEC) was being shared between Central and State in the ratio of 50:50 up to March 1999 and from April 1999, GOI was to provide 100 per cent grants-in-aid to State. In Punjab, against the approved project of Rs. 75.37 lakh, Rs. 18.84 lakh were received from GOI during 1996-97. The State Finance Department neither released the amount of Central assistance nor State share to Public Health Department as of March 2001.

The GOI for evolving Management Information System (MIS) in the Punjab released Rs.40.67 lakh for purchase of computer hardware and software up to March 2000. The amount was not released (March 2001) by the Finance Department to the Public Health Department.

No reasons for delay in release or non-release of funds for the above activities were advanced by the Secretary Finance.

B. Accelerated Urban Water Supply Programme

4.1.10 Financial Management

4.1.10:1 Funding pattern

As per guidelines 50 per cent cost of projects sanctioned under AUWSP was to be met by GOI and the remaining 50 per cent cost was to be shared between the State Government and beneficiaries/Municipal Committees (MC) in the ratio of 45:5.

4.1.10.2 Allotment of funds and expenditure

Details of funds released by GOI/State Government under AUWSP and expenditure incurred there against were as under:

(Rupees in lakh)

		Funds released by State Government				
Year	**Funds released by GOI**	**Central share released out of unspent money**	**State share**	**Total**	**Expenditure**	**Unspent balance (Progressive)**
1993-94	26.73	-	-	-	-	26.73
1994-95	35.64	-	-	-	-	62.37
1995-96	77.76	-	-	-	-	140.13
1996-97	44.00	-	-	-	-	184.13
1997-98	-	-	-	-	-	184.13
1998-99	-	100.00	-	100.00	50.21	133.92
1999-2000	105.48	40.13	100.00	140.13	79.94	259.46
2000-2001	-	148.87	189.00	337.87	223.04	225.42
Total	**289.61**	**289.00**	**289.00**	**578.00**	**353.19**	

Central assistance of Rs.1.84 crore received during 1993-1997 was released to implementing agency after 5 years

(i)State Finance Department did not release Central assistance of Rs.1.84 crore received from GOI between 1993-97 for implementation of AUWS programme in 4 towns till August 1998 but were covered under State Plan Scheme between 1995-97 by raising loan from HUDCO. On being enquired in audit, the Secretary Finance Department stated (March 2001) that funds could not be released due to financial crunch in the State. Thus it is evident that central assistance received under specific programmes was diverted for meeting State's routine expenditure.

(ii)The GOI released Rs. 289.61 lakh as Central share for implementation of AUWSP during the period 1993-2000. Of this, the State Government released Rs. 2.89 crore along with matching share of State Government during 1998-2001 but did not release Central share of Rs. 0.61 lakh besides its matching share to the PWSSB as of May 2001. On enquiry (May 2001) for non-release of Rs.1.22 lakh, the Special Secretary Local Government did not give an appropriate reply.

4.1.11 Targets and achievements

None of the 9 projects taken up during 1999-2001 was completed.

There are 86 towns in the State of Punjab having population less than 20 thousand each (as per 1991 Census) of these 68 towns stood covered under other State Plan schemes and 3 other towns had ceased to be Notified Area Committees (NAC). Of the remaining 15 towns, State Government proposed to cover (June 1997) 4 towns per year. Thus, against the target of 12 towns, the State Government could get approval of GOI in respect of 9 Detailed Project Reports (DPR) between March 1998 and February 2000 under AUWSP. All the projects were in progress (March 2001).

4.1.12 Execution of work

4.1.12.1 Irregular execution of the scheme

After incurring expenditure of Rs.20.82 lakh under a State Plan scheme, the project was irregularly got approved under AUWSP

Initially, the work of "Extension and Augmentation of water supply scheme Bagha Purana" was taken up (April 1998) under normal State Plan scheme [8 (C)-Urban Development] at an estimated cost of Rs.86.25 lakh. State Government released Rs. 20.90 lakh (April 1998-January 1999) and against this, an expenditure of Rs. 20.82 lakh was incurred by the XEN, WSS Division, Ferozepur on Commissioning of 1 Tubewell and 425 meters water supply pipe line upto August 1999. In the meantime, another estimate costing Rs. 93.70 lakh was prepared by the PWSSB (March 1998) under AUWSP without referring to the work already taken up. The State Government released Rs. 93.70 lakh including Central share to PWSSB, of which the XEN had spent Rs.62 lakh as of March 2001. Thus, taking up of work under AUWSP which already stood approved under another State Plan scheme was irregular and the funds received under AUWSP could have been utilized for covering of some other town. On being pointed out (January 2001) the XEN did not give proper reply.

4.1.12.2 Inclusion of undeveloped areas of town inflated cost of Detailed Project Report.

While approving the Detailed Project Report (DPR), the GOI issued specific instructions that involvement of community right from the planning stage to operation and maintenance should be ensured to the extent possible.

Inflated provision of Rs.21.29 lakh was made in 2 DPRs for laying of pipeline without conducting of survey.

Test-check of records of XEN, PWSS Division, Gurdaspur revealed that DPRs of 'Extention and Augmentation of water supply schemes' of Sujanpur and Derababa Nanak were prepared without conducting any survey and ensuring community participation. As a result, provision of 1377 metres AC pipes and 1749 meters C.I. pipes costing Rs. 12.62 lakh (AUWSS Sujanpur) and 3.44 Kms distribution line costing Rs.8.67 lakh (AUWSS Derababa Nanak) were made in the DPRs for laying of pipe lines in the undeveloped areas of the towns thereby increasing the cost of DPRs by Rs. 21.29 lakh. On enquiry (March 2001) the XEN intimated that pipelines under left out areas were not laid due to non existence of residential houses. However, neither the XEN nor the Managing Director PWSSB intimated reasons for inclusion of undeveloped areas in DPRs.

4.1.13 Other Points of Interest

4.1.13.1 Irregular levy of departmental charges

As per AUWSP guidelines, the detailed project report should include departmental charges, i.e establishment charges upto 3 per cent and contingency charges upto 5 per cent. It was also made clear (November 1997) by GOI that departmental charges were not permissible.

Extra expenditure of Rs. 12.15 lakh was charged to the programme due to levy of higher departmental charges.

Test-check of record of expenditure maintained by PWSS divisions revealed that in addition to the prescribed departmental charges of 8 per cent, other departmental charges at the rate of 6 per cent amounting to Rs.12.15 lakh were levied in eight schemes between October 1998 and December 2000 in violation of AUWSP guidelines.

On being pointed out in audit the XENs stated (December 2000-March 2001) that necessary action would be taken after seeking advice from the Board. However, the Managing Director PWSSB intimated (August 2001) that matter regarding diversion of 6 per cent charges was being taken up at Head Office level and would be intimated accordingly.

4.1.13.2 Irregular release of funds

The financial rules provide that no funds should be withdrawn from the treasury unless these are required for immediate disbursement.

Failure of Director, Local Government to observe financial propriety in release of funds and retaining funds with bank by the board resulted in loss of interest of Rs. 18.47 lakh

Test-check of records of the Director Local Government, Punjab revealed that Rs. 5.78 crore under AUWSP were released to the Managing Director PWSSB during the period September 1998 to August 2000 without ascertaining the requirement of funds. Since the amount of Rs. 5.78 crore was not to be utilised by the executing agencies immediately, the Managing Director PWSSB kept the unspent funds of Rs. 4 lakh to Rs. 3.27 crore during September 1998 to March 2001 in current account with a commercial bank for a period ranging from 1 to 5 months and Rs. 1.87 crore were still lying in current account as of March 2001.

Thus, release of funds by the Director Local Government without adherence to the codal provisions and retaining of unspent amount by the Managing Director in current account was not only violative of financial rules but also resulted in undue financial aid to commercial banks and consequently there was loss of interest of Rs. 18.47 lakh at Government borrowing rates. The Director, Local Government did not intimate the reasons for release of funds without requirement. However, the Managing Director PWSSB stated (May 2001) that unutilised funds would be given to the concerned Divisional Officers shortly.

4.1.13.3 Extra liability

According to funding pattern of AUWSP, 5 per cent funds were to be contributed by the beneficiaries/Municipal Committees (MCs).

Non-contribution of share from MCs resulted in extra burden of Rs. 12.60 lakh on State exchequer

Test-check of records maintained by Local Government Department and PWSSB revealed that despite provision for sharing 5 per cent expenditure by the beneficiaries, no system for recovery/remittance of 5 per cent MCs/beneficiaries share was evolved. Resultantly, the Municipal Committees did not deposit their share aggregating to Rs.12.60 lakh in contravention of guidelines and DPRs.

On being pointed out in audit, the XENs stated (December 2000-March 2001) that State Government had deposited its share along with 5 per cent share of MCs of the concerned divisions. The reply was not tenable as department/PWSSB had failed to recover 5 per cent share from MCs which resulted in extra liability of Rs. 12.60 lakh on State exchequer.

4.1.14 Monitoring and evaluation

The SE (Monitoring) was incharge of monitoring and evaluation of the RWSP. The field offices were submitting the financial and physical progress reports to this cell at prescribed intervals. The SE after processing these progress reports was reporting the overall progress of the programme to State Government/GOI. However no study to evaluate the impact of this programme was carried out since 1990.

AUWSP was implemented during 1998-99 in nine towns and the projects were still in progress but no evaluation of the programme was conducted as of March 2001.

The material was developed into a draft audit review for consideration of Government and the same was forwarded to the Secretaries concerned (April 2001) for reply within 6 weeks. The matter was followed up demi-officially with reminders to concerned Secretaries in July 2001. However, no reply was received from Secretary PWD (Public Health) (November 2001).

IRRIGATION AND POWER DEPARTMENT

4.2 Integrated Audit of Irrigation Department including Manpower Management

Highlights

The State of Punjab had a total length of 14,482 kms of canals and distributaries at the end of March 2001. A review on integrated audit of Irrigation Department including Manpower management indicated several deficiencies in the planning and execution of works. The budgetary control in the department was deficient. Even after lining 1092.06 kms of channels, the area irrigated from canal water had decreased during 1996-2000. Proper evaluation and effective monitoring of various schemes had not been undertaken. Some of the significant findings are given below:

- Budgetary control was deficient in the department. Budget estimates were prepared on adhoc basis and budget demands were 26 to 747 per cent higher than expenditure in respect of each year during 1996-2001.

(Paragraph 4.2.6.1)

- Though no expenditure was incurred against original grants, the department granted funds through supplementary grants of Rs. 31.74 crore (8 schemes) and re-appropriation of Rs. 48.94 crore (16 schemes) during 1996-2000.

(Paragraph 4.2.6.2)

- Though State Government was not providing adequate funds for ongoing schemes, 18 new schemes were taken up during 1998-2001 without increase in annual budget allocations.

(Paragraph 4.2.7)

- Although Government incurred expenditure of Rs. 231.08 crore on lining of 1092.06 kms of channels, area under canal irrigation decreased from 16.28 lakh hectares to 9.77 lakh hectares during 1996-2000.

(Paragraph 4.2.8.1 & 4.2.8.2)

- Even after spending Rs. 14.23 crore on raising and lining of 127.59 kms of Bhakra Main Line canal, its discharge capacity could not be increased.

(Paragraph 4.2.8.3)

- Despite utilisation of Central Assistance of Rs 4.22 crore, the Centrally Sponsored Schemes were not completed, as the State Government did not release its share.

(Paragraph 4.2.8.4)

- Improper survey study to tackle water logging in Muktsar led to abandonment of scheme which resulted in ungainful expenditure of Rs.5.21 crore on installation of 280 tubewells.

(Paragraph 4.2.8.5)

- Failure to adhere to the provisions of the Land Acquisition Act, resulted in avoidable expenditure of Rs. 1.93 crore besides creating a liability of Rs.17.15 crore.

(Paragraph 4.2.9.1)

- 4 Executive Engineers got works executed from private contractors at a cost of Rs. 2.82 crore whereas departmental machinery remained unutilised during 1997-2000.

(Paragraph 4.2.10.4)

- Rs. 100.79 crore were spent on pay and allowances of idle staff of SYL and Canal Lining projects.

(Paragraph 4.2.11.1)

- Training was deficient even after incurring expenditure of Rs.3.52 crore on infrastructure and Rs 31.73 lakh on establishment of Training Institute.

(Paragraph 4.2.11.3)

4.2.1 Introduction

Punjab is predominantly an agricultural State with total geographical area of 50.36 lakh hectares, against which 42.56 lakh hectares is cultivable area of which 39.77 lakh hectares is irrigated. The total length of canals and distributaries in Punjab was 14482 kms at the end of March 2001.

Irrigation has been the mainstay of the economy, prosperity and development of the State. The irrigation and Power Department is a nodal agency of the State Government for the construction and maintenance of canals, drains, anti water logging, flood protections and multipurpose river projects.

4.2.2 Organisational set up

Principal Secretary cum Financial Commissioner to Government of Punjab,, Irrigation and Power is overall incharge of the department. He is assisted by 11 Chief Engineers (CEs) and 8 Directors. At the field level the works are executed through 103 Executive Engineers (XENs) under the supervision of 24 Superintending Engineers (SEs).

4.2.3 Audit coverage

Mention was made in paragraph 4.1 of Audit Report for the year ended March 1998 on the working of Ranjit Sagar Dam Project (RSDP) of Irrigation and Power department. As the report was yet to be discussed by the Public Accounts Committee (PAC), this project was not covered under this review.

Based on test check of records of 23[1] divisions involving expenditure of Rs.395.50 crore (14.02 per cent) out of total expenditure of Rs.2820.66 crore for the period 1996-2001, review on working of the department was conducted during October 2000 to March 2001. Besides records in the office(s) of 7[2] CEs, 5[3] SEs and 1 Land Acquisition Officer (LAO) SYL Patiala were also reviewed.

4.2.4 Funding pattern

Funds to the Irrigation and Power department are provided by the State Government through annual budgetary allocation for construction, improvement and maintenance of canals, drains, anti water logging, flood protection and multipurpose river projects. Within the department, the CE regulates funds through Letter of Credit (LOC) system. The State Government also mobilised additional finances of Rs.358.69 crore from National Bank for Agriculture and Rural Development (NABARD), of this

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[1] Canal Lining Division Patiala, Ludhiana & Sangrur; IB Canal Division Majitha, Jandiala, Mansa & Harike, Eastern, Rajasthan feeders & Bhakra Main Line; SYL Division Ghanauly & Patiala ki Rao; Drainage Mechanical Division Amritsar, Ferozepur & Nangal; Drainage Construction Division Faridkot, Ferozepur & Mansa; Drainage Division Hoshiarpur, Jalandhar & Phagwara; Store Procurement Division and Workshop Division Chandigarh.

[2] CE Canals, Canal-Lining, Planning, Drainage, SYL Project, Chandigarh, Vigilance & Quality Control Patiala and Irrigation & Power Research Institute, Amritsar.

[3] SE Drainage Circle Jalandhar, Canal-Lining Circle Patiala, BML Circle Patiala, Drainage Construction Circle Ferozepur and IB Circle, Ferozepur.

Rs.252.43 crore were released to the Irrigation department during 1996-2001. Besides, a Central assistance of Rs.5.51 crore was received during 1998-2001 from Government of India (GOI) for development of water logging area of Jamuana and Ratta Khera blocks of Muktsar district. The World Bank provided assistance by way of reimbursement of expenditure incurred to the extent of Rs. 257.95 crore for implementation of 13 irrigation schemes during the period 1996-97 to 1998-99.

4.2.5 Financial outlay and expenditure

The budget provisions and expenditure incurred during 1996-2001 were as under:

(Rupees in crore)

Year	Budget provisions	Expenditure	Excess
1996-97	623.28	1058.26	434.98
1997-98	825.51	1224.49	398.98
1998-99	1000.28	1326.61	326.33
1999-2000	863.72	946.64	82.92
2000-2001	796.11	1129.27	333.16
Total	4108.90	5685.27	1576.37

During 1996-2001, against allocation of Rs.4108.90 crore, Rs.5685.27 crore were spent resulting in excess expenditure of Rs.1576.37 crore. However, it was noticed that excess expenditure was mainly incurred on Ranjit Sagar Dam Project.

4.2.6 Financial management

4.2.6.1 Preparation of inflated budget estimates

Budget demands were inflated by 26 to 747 per cent over the expenditure incurred during each year.

According to the provision under Punjab Budget Manual (Manual), the budget estimates for ensuing year should be based on average expenditure for 6 months of previous year and actual expenditure of first 6 months of current year to make the budget estimates realistic. Test check of records in 12 divisions revealed that budget estimates for works were prepared on adhoc basis without taking into account actual requirements, as demands were 26 per cent to 747 per cent higher than actual expenditure during last 5 years ended March 2001:

(Rupees in crore)

Year	Budget demanded	Budget allocated	Expenditure	Percentage of inflated budget estimates over expenditure
1996-97	56.66	47.20	44.96	26
1997-98	71.72	41.47	38.41	87
1998-99	93.35	52.69	41.00	128
1999-2000	94.01	42.55	38.28	146
2000-2001	167.19	29.39	19.75	747

The Executive Engineer, Hoshiarpur Drainage Division, stated that budget was demanded in view of inspection carried out by field staff on the recommendation of local Panchayats and M.L.A. Reasons for preparation of inflated budget estimates from other offices were awaited (August 2001).

4.2.6.2 Unjustified supplementary demands/re-appropriation of grants

Though no expenditure was incurred against original grants, funds of Rs. 31.74 crore (8 schemes) through supplementary grants were obtained

Test check of expenditure against supplementary demands and re-appropriation of grants for the period 1996-2000 revealed that in 8 schemes though the department did not incur expenditure against original budget provision, unnecessary supplementary grants of Rs. 31.74 crore were obtained. Similarly in 9 schemes supplementary grants of Rs. 30.92 crore were obtained during the above period although there were savings in expenditure over the original budget provisions ranging between 2 and 99 per cent.

In addition to above, in 16 schemes though no expenditure was incurred against original budget provisions of Rs. 82.70 crore, the CEs further re-appropriated Rs. 48.94 crore during the period 1996-2000 and in 18 schemes, the expenditure against the original budget provisions of Rs.71.28 crore was only Rs. 22.17 crore, but an additional amount of Rs. 30.41 crore was again re-appropriated by the CEs concerned. This indicated that the department lacked in budgetary control as the supplementary demands were obtained and re-appropriation made without ascertaining the actual requirements of funds for the works and administration as a result thereof, provision of funds of Rs. 142.01 crore through supplementary demands and re-appropriations were unjustified during 1996-2000.

4.2.6.3 Control over expenditure

4.2.6.3.1 Non-maintenance of control register

As per codal provisions, controlling officer is required to maintain expenditure control register to monitor grant-wise, sub head-wise monthly, quarterly and year-wise expenditure. The department was also required to maintain control register for annual plan outlay and expenditure incurred there against. However, the CEs did not maintain such registers which contributed to excess expenditure over budget allotment.

4.2.6.3.2 Delay in submission of monthly expenditure returns

The XENs are required to submit monthly expenditure returns to Controlling Officers by 10th of next month. The scrutiny of records of 8 Divisions test checked revealed that 235 monthly expenditure returns were submitted late by 1 to 157 days during the period 1996-2001. The department had neither investigated the reasons for delayed submission of returns nor taken corrective measures.

4.2.6.3.3 Trend of revenue expenditure and capital expenditure

The overall position of revenue expenditure and capital expenditure during 1996-2001 of Irrigation Branch was as under:

(Rupees in crore)

Year	Total	Revenue expenditure	Percentage to total expenditure	Capital expenditure	Percentage to total expenditure
1996-97	1058.26	248.62	23	809.64	77
1997-98	1224.49	284.39	23	940.10	77
1998-99	1326.61	345.61	26	981.00	74
1999-2000	946.64	340.27	36	606.37	64
2000-2001	1129.27	336.37	30	792.90	70

It would be seen that capital expenditure on irrigation projects in the State indicated a decreasing trend from 1996-97 to 1999-2000 but increased slightly in 2000-2001. However, revenue expenditure increased from 23 per cent in 1996-97 to 36 per cent in 1999-2000.

4.2.6.3.4 Excess expenditure over budget grants

According to financial rules, the expenditure during a year should be kept within the sanctioned grant and funds released. Further, it was the duty of the disbursing officer/controlling officer to ensure that expenditure was kept within the sanctioned budget. It was noticed that the excess expenditure under 19 sub heads ranged between 11 and 2136 percent of the total provision during the years 1996-2000. Such excess expenditure indicated failure of budgetary control system. Reasons for incurring of excess expenditure over grants sanctioned and steps taken to regularise such excess expenditure were not intimated to audit (August 2001).

4.2.6.3.5 Irregular creation of liability

Department rules provide that sanction of a design and estimate by Government should not be taken as permission for commencement of expenditure on work unless such expenditure has been provided in the budget of that year and no liability be created in connection with any work until an assurance has been received from the competent authority for allotment of funds before the maturity of liability.

In 13 divisions the works were got executed during 1998-2001 from the contractors without provision of funds as a result thereof liability of Rs.16.97 crore was created as of March 2001. On being pointed out the XENs stated (December 2000-April 2001) that liability was created due to non-release of funds by the State Government. The reply was not tenable as works were executed in violation of codal provisions and without receipt of funds.

4.2.6.3.6 Keeping of funds out of Government account

In-violation of codal provisions, funds between Rs. 0.21 lakh and Rs. 6.22 crore were kept outside Government account which resulted in loss of Rs. 93.32 lakh as interest.

State Treasury Rules provide that a Government employee may not, except with special permission of Government, deposit in a bank, money withdrawn from consolidated funds, contingency fund or Public Accounts of the State. Reiterating the provisions of rules, the Additional Secretary, finance department issued instructions (August 1999) to close all such accounts with banks and deposit the amount in the Treasury.

Test check of records in 4 divisions of Irrigation branch revealed that in violation of above provisions/instructions, the XENs were still operating accounts with Commercial Banks and funds ranging between Rs. 0.21 lakh and Rs. 6.22 crore were kept in bank accounts during December 1998 to March 2001. Even the funds received by 2 of the divisions for execution of deposit works were also deposited with banks instead of depositing in treasury under head "8443-Civil Deposit". On being pointed out (April 2001), the XENs did not intimate reasons for opening bank accounts. Thus, retention of funds with banks was not only violative of rules but also resulted in loss of interest of Rs. 93.32 lakh up to March 2001 at Government borrowing rates.

4.2.6.3.7 Utilisation of departmental receipts towards expenditure

State Financial Rules strictly prohibited utilisation of departmental receipts towards expenditure.

Test check of records (April-December 2000) in 9 Irrigation divisions revealed that departmental receipts on account of sale of tender forms, trees, etc. amounting to Rs.62.78 lakh collected during 1999-2001 were not deposited in Government account and irregularly utilised towards expenditure in contravention of rules and that too in excess of the LOC released during the above period. Thus, the expenditure to the extent of Rs. 62.78 lakh was incurred without approval of the Legislature.

4.2.7 Programme management

(i) In Ninth Five Year Plan (1997-2002) an outlay of Rs.1598.16 crore was proposed for execution of various irrigation and flood control schemes. The year-wise provision of funds made under each annual plan and actual expenditure incurred thereagainst during 1997-2001 were as under:

(Rupees in crore)

Year	Annual Plan Outlay	Budget Provision	Expenditure	Percentage of Expenditure to outlay
1997-1998	244.36	231.96	172.89	71
1998-1999	298.70	292.00	254.06	87
1999-2000	320.09	320.09	130.48	41
2000-2001	321.00	321.02	213.16	79

Without sufficient increase in budget allocations, 18 new schemes were taken up when ongoing schemes were incomplete.

The position brought out above indicates that provision of funds in the annual plans during 1997-98 and 1998-99 were not made keeping in view the overall outlay in Ninth Five Year Plan. A review of execution of schemes taken up in Ninth Five Year Plan revealed that expenditure ranged between 41 and 87 per cent during 1997-98 to 2000-2001. Though the State Government was not spending sufficient funds on ongoing schemes, yet 18 new irrigation and other schemes were taken up during 1998-2001 without substantial increase in annual plan allocations. This not only affected the execution of schemes already in progress but also the intended benefits of these schemes remained unachieved. As a result, the farmers preferred to have private irrigation facilities of tubewells.

(ii) In case of 4 schemes, against total plan outlay of Rs.66.19 crore with further provisions of Rs.55.26 crore made for the year 2000-2002 an expenditure of Rs.134.11 crore was incurred upto March 2000 whereas in case of 8 schemes, no expenditure was incurred though plan outlay of Rs.550.07 crore was provided in Ninth five year plan. The department did not intimate the reasons for deviation from plan outlay.

(iii) Further, with a view to enhance the capacity of the existing distributaries and channels, the State Government proposed an outlay of Rs.14.94 crore under "Remodelling/construction of distributaries/minors" in the Ninth plan (1997-2002), against this an expenditure of Rs.34.45 crore was incurred during 1997-2000 and further provisions of Rs.29.25 crore were also made for 2000-2002. Despite incurring huge expenditure on the above work, the area under irrigation through canals had decreased from 16.28 lakh hectares (1996-97) to 9.77 lakh hectares (1999-2000).

This was indicative of poor programme management of the department.

4.2.8 Execution

4.2.8.1 Lining of channels

In order to bring additional area under irrigation by reducing seepage losses and improvement in discharge capacity of channels, reduction in expenditure on maintenance and operation, the State Government completed lining of 5554 kms channels upto March 1992 under "Lining of channels Phase I" with 90 per cent reimbursement from World bank.

Mention was made on certain aspects of implementation of the project 'Lining Channels' up to March 1994 in Paragraph 4.1 of the Report of the Comptroller and Auditor General of India for the year ended March 1994 (Civil). The paragraph was discussed in the PAC in September 1998.

Further, second phase of the project of lining of 816 kms channels (revised to 1242 kms) was taken up during 1990-91 at a cost of Rs. 82.79 crore (revised to 282.51 crore) with assistance of World Bank to be completed in 5 years. The department proposed to cover 70000 hectares of additional area under irrigation and saving of 514.34 cusecs water annually. The details of budget allocations and expenditure vis-à-vis targets and achievements of second phase were as under:

(Rupees in crore) *(Length in kilo metre)*

Year	Financial		Physical	
	Budget provisions	Expenditure	Targets	Achievements
Upto 1995-96	139.29	113.65	688	639.94
1996-97	37.00	34.94	252	217.10
1997-98	45.08	29.57	385	172.60
1998-99	42.33	38.96	93	55.41
1999-2000	37.50	13.96	15	7.01
2000-2001	14.00	10.03	Not fixed	-
Total	**315.20**	**241.11**	**1433**	**1092.06**

A perusal of execution of this project revealed that lining of 1092.06 kms channels had been completed upto March 2000 by spending Rs.231.08 crore. The World Bank stopped (July 1998) its assistance when 156.95 Kms lining of channels was yet to be done and the State Government also restricted the budget provisions to establishment charges, thus, lining work of 7.01 kms. only could be undertaken during the year 1999-2001. As a result department could not complete second phase of the project even after lapse of 6 years beyond scheduled period of completion due to late start of work, short release of funds and increased scope of work.

4.2.8.2 Non fulfilment of objectives

Even after lining of 1092.06 kms channels, the area irrigated through canals decreased by 15 per cent.

The department estimated to save 514.34 cusecs water per year after lining of 1242 kms channels. However, comparative position of net area sown, irrigated from all sources i-cluding through canals during 1996-2000 after lining of 1092.06 kms of channels was as under:

Year	Total Area sown	Total Area irrigated	Area irrigated through canals	Percentage of area irrigated by canals to total net area irrigated
	(In	000	Hectare)	
1996-97	4223	4022	1628	40
1997-98	4266	4021	1546	38
1998-99	4203	4019	1052	26
1999-2000	4237	3977	977	25

Despite incurring an expenditure of Rs. 241.11 crore, the percentage of area irrigated through canals had decreased from 40 per cent in 1996-97 to 25 per cent during 1999-2000.

4.2.8.3 Raising and lining of Bhakra Main-Line canal

After spending of Rs.14.23 crore on raising and lining of Bhakra Main Line canal, its discharge remained unchanged.

A project for raising and lining of Bhakra Main-Line (BML) canal to restore its authorized capacity of 12455 cusecs of water costing Rs. 3.45 crore was taken up during 1983-84. The cost of project was to be shared in the ratio of 57.27 : 32.80 : 9.93 by the States of Haryana, Rajasthan and Punjab respectively. Though the project was to be completed in one year, the work had not yet been completed (March 2001) even after incurring an expenditure of Rs.14.23 crore. With the completion of work of raising and lining of 127.59 kms. of canal against the target of 142.07 kms., the discharge capacity remained unchanged.

4.2.8.4 Implementation of Centrally sponsored scheme

Government of India (GOI) approved (November 1998) a project for development of water logged area of 787 hectares and 700 hectares of land in Jamuana and Ratta Khera Blocks respectively of Muktsar district. The project was to be completed by March 2001. Financial outlay of the project was as under:

(Rupees in crore)

Year	Jamuana Block GOI Share	Jamuana Block GOI Release	Jamuana Block State share due	Ratta Khera Block GOI Share	Ratta Khera Block GOI Release	Ratta Khera Block State share due
1998-99	2.17	2.17	1.32	2.06	2.06	1.27
1999-2000	0.77	0.68	0.39	0.69	0.60	0.34
2000-2001	0.18	-	0.03	0.15	-	0.03
Total	3.12	2.85	1.74	2.90	2.66	1.64

GOI had released its share of Rs. 5.51 crore (Jamuana : Rs. 2.85 crore and Ratta Khera : Rs.2.66 crore) out of its share of Rs. 6.02 crore through Additional Deputy Commissioner, District Rural Development Agency (DRDA), Muktsar during the period February 1999 to June 2000 for the implementation of the project.

The information collected from the XEN, Drainage Construction Divisions Faridkot and Ferozepur revealed that the department had utilised Rs. 4.22 crore on the project upto December 2000 as per details given below:

(Rupees in lakh)

S.No.	Item	Jamuana Block	Ratta Khera Block	TOTAL
1.	Foreign visit of officials	8.97	12.19	21.16
2.	Purchase of machinery	180.00	185.00	365.00
3.	Material	15.00	8.50	23.50
4.	Diversion of funds on other works	7.00	NIL	7.00
5.	Other items	4.92	0.33	5.25
	Total	215.89	206.02	421.91

State share was not released to executing agencies during 1998-2001 besides Central assistance of Rs.21.16 lakh was utilized un-authorisedly on foreign visits.

The SE Ferozepur Drainage Circle reported to GOI (through Chairman DRDA Muktsar) in December 2000 that Rs. 7.56 crore including State share of Rs.3.34 crore had been utilised upto December 2000 on the project. Audit scrutiny, however revealed that report of the SE was not correct as the department had utilised only Rs. 4.22 crore and the CE Irrigation had requested (August 2000) the State Government to release State's share for implementing the project. The above table further shows that the department did not undertake any execution of work after November 2000 and Trenching Draglines purchased at the cost of Rs. 3.65 crore were lying idle with Mechanical wing of the department for want of site plan/funds. The expenditure of Rs. 21.16 lakh on foreign visits incurred by the State Government was in violation of programme and GOI clarified (March 2000) that such expenditure would be borne by the State Government. Thus, the scheme remained un-implemented for 3 years despite receipt of 95 per cent Central share and incurring of expenditure of Rs. 4.22 crore.

4.2.8.5 Avoidable expenditure

Improper study of the scheme, resulted the expenditure of Rs. 5.21 crore on installation of 280 tubewells ungainful.

In order to tackle the problem of water logging in Muktsar district, the State Government undertook 6 different schemes between December 1995 and October 1999 with loan assistance from NABARD. Under one of the schemes, the department proposed to drill 500 tubewells at a cost of Rs.12.96 crore along Sirhind and Rajasthan Feeder canals. The work was allotted (May 1997) to a contractor at a cost of Rs.9.53 crore to be completed within 6 months. However, on the recommendation of the XEN, the CE decided (July 2000) to restrict the work to 280 tubewells as sufficient new drainage infrastructure had been laid in the area. However, study conducted by the State Irrigation and Power Research Institute (August 1998) observed that digging of shallow tubewells along the Sirhind and Rajasthan feeder canals might not solve the problem rather would aggravate it because the water from the canals only would be drawn and recommended abandoning of the scheme.

Thus, failure of departmental Engineers to foresee that installation of shallow tubewells along the banks of canals would rotate water from canals itself, resulted in ungainful expenditure of Rs. 5.21 crore on development of 280 tubewells. Rs. 56.68 lakh of the above were spent after August 1998 i.e. after a paper on water logging its causes and remedial measures was presented by

Research Institute in the international conference on Hydrology where-in the above aspect was specifically stressed upon.

4.2.9 Land management

4.2.9.1 Avoidable extra payment

Section 11 A of Land Acquisition Act 1894 (Act) provides that if an award is not announced within two years from the date of publication of the declaration for acquisition of land the entire proceedings would lapse. The market value is determined as on date of publication of notification under section 4 of the Act and if compensation so assessed is not paid before assuming possession of land, the amount due is awarded by the Land Acquisition Officer (LAO) with interest from the date of taking possession of land till payment is made to the land owners. The Act further provides for payment of interest on enhanced compensation awarded by the court from the date of judgment to the date of such payment.

Reasons for acquisition of land	Month of notification/ declaration under section 4/6 of the Act	No. of cases/Area of land acquired	Comments	Amount involved
Construction of Chauntra distributory (Harike Division Ferozepur)	June 1996	(1 case) 41.61 acres	Land Acquisition proceedings were initiated late	Cost of land Rs.37.36 lakh and interest Rs.1.20 crore
Construction of field link drains (XEN Drainage Construction Division Faridkot)	April 1998 to December 1999 May 1998 to December 1999	(12 cases) 199.63 acres	Land acquisition proceedings lapsed due to non-announcement of award within stipulated period of 2 years.	Cost of land Rs.7.16 crore and interest payment of Rs. 1.01 crore upto August 2000.
Construction of SYL Project (LAO SYL Patiala)	-	34 Cases (Interest payment) and 267 cases (Liability) Area not known	Delay/ non payment of enhanced compensation resulted in extra avoidable payment of interest and liability	Interest payment of Rs.35.71 lakh and liability of Rs.8.98 crore.

Failure of XENs/LAOs to adhere to the provisions of the Act resulted in avoidable expenditure of Rs.1.93 crore and liability of Rs.17.15 crore.

Due to lack of expedient action of the XENs and failure of LAOs to announce awards within stipulated period in accordance with provisions of Act, the department had to incur avoidable expenditure of Rs.1.93 crore (Cost of land: Rs. 0.37 crore and interest: Rs1.56 crore) besides liability of Rs. 17.15 crore (cost of land Rs. 7.16 crore, interest payment of Rs. 1.01 crore and enhanced compensation liability of Rs. 8.98 crore)

4.2.9.2 Sale of surplus land

The State Government decided (March 1998) to dispose off surplus land and abandoned canal rest houses of Irrigation department after identification by a Standing Committee. As per terms and conditions, successful bidders were required to deposit 10 percent of the bid amount at the fall of hammer, 15 percent of bid within 60 days of the auction and balance either in lump sum within 60 days or in four equal annual installments along with 15 percent interest. The scrutiny of records relating to auction in three divisions revealed that in 37 cases property was auctioned for Rs. 2.12 crore and the bidders deposited 10 per cent of bid amount at the fall of hammer but did not deposit 15 per cent of bid money within stipulated 60 days. In other 21 cases the balance amount of Rs. 77.62 lakh along with interest of Rs.6.73 lakh due upto February 2001 had not been deposited by the bidders. No action had been initiated against the defaulters (August 2001).

4.2.9.3 Unauthorised occupation of Government land

No action was taken to get vacated 490.2 acres of land under un-authorised occupation of private persons for over 10 years.

Scrutiny of records in five divisions test checked revealed that land measuring 566.31 acres belonging to Irrigation department was under unauthorised occupation of private persons, of this 490.2 acres of land was occupied for more than 10 years. The XENs had though referred the cases to higher authorities i.e. Dy. Commissioner, C.E. Irrigation etc., legal proceedings were yet to start as of August 2001.

4.2.9.4 Non-execution of mutation deeds

As per provisions of standing orders (Land Acquisition No. 28) the mutation of land is required to be entered in the name of acquiring department at the time of announcement of the award or soon thereafter where necessary statements showing the particulars of land acquired are prepared.

Mutation deeds of 639.8 acres of land valuing Rs. 5.09 crore acquired between 1982 and 1991 were not got executed.

It was noticed in audit that out of 5294.96 acres of land acquired at a cost of Rs.34.64 crore between March 1982 and June 1991, the Land Acquisition Officer, Sutlej Yamuna Link Canal (SYL) Patiala had not executed the mutation deeds of 639.8 acres of land acquired at a cost of Rs.5.09 crore as of March 2001. Non-execution of mutation in favour of the Government is fraught with risk of unauthorized possession by unscrupulous persons.

4.2.10 Store Management

4.2.10.1 Non-procurement of material through centralised store.

Store Procurement Division Chandigarh (Division) was established in 1963 comprising of 4 sub divisions and was entrusted with the work of procurement of stores, machinery, inspection of stores and gates and gearing of head works under the control of Irrigation department.

Scrutiny of records revealed that Cement Procurement Sub Division attached with the Division, processed supply orders of only 8672 MT of cement during 1996-99 and no material was procured through this sub division after 1998-99. The services of staff deployed in sub division were thus not gainfully utilized though an expenditure of Rs. 18.34 lakh was incurred on their pay and allowances during 1999-2001.

4.2.10.2 Inspection of stores

The work relating to physical verification of 'Stores' and 'Tools and Plant' was allotted to 2 Sub-Divisions, one attached with Store Procurement Division (118 stores) and other with Workshop Division (122 stores) of Irrigation department.

As per codal provisions physical verification of all 'Stores' should be made at least once in a year. However, audit scrutiny revealed that out of 240 stores, only 50 to 82 stores were checked yearly during 1996-2001. In reply the XEN stated that Stores maintained by Divisions under SYL Project were not being checked due to non-availability of labour and weighing arrangements. In remaining cases reasons for non-checking of stores were not intimated (August 2001).

4.2.10.3 Inspection of Gates and Gearings

The field mechanical Sub-Division No.II Amritsar attached with Store Procurement Division, Chandigarh has been assigned the work of checking of Gates and Gearings of the head works and its canal network. Deficiency found on inspection is reported to the concerned officer for immediate rectification and maintenance so that water resources do not go waste.

Scrutiny of records revealed that though 736 Gates were entered in the control register maintained by the XEN Store Procurement Division, the exact number of Gates and Gearings was not available with him. Though the department had not fixed periodicity for checking of Gates, the SDE has checked 312 gates to 404 Gates yearly during 1996-2001. Of the 736 gates, 260 gates had not been checked since July 1996. In the absence of complete details of Gates and Gearings and without conducting periodical checking of all Gates and Gearings, it was not beyond doubt that all the Gates and Gearings were working smoothly. On being pointed out the XEN stated (March 2001) that complete lists of Gates and Gearing would be collected and checking of all gates ensured.

4.2.10.4 Under-utilisation of machinery

The Irrigation department is operating 3 Drainage Mechanical Divisions stationed at Amritsar, Ferozepur and Nangal for construction of new drains and remodeling of existing drains. These divisions had a fleet of 77 draglines and excavators as of March 1997. In addition to above machinery, the department purchased 20 new draglines and 5 excavators at a cost of Rs. 11.82 crore during 1997-99. Year-wise estimated working hours and actual working hours by the machinery were as under:

Sr. No	Divisions	Year	Estimated working hours	Actual working hours	Percentage of actual hours to estimated hours
1.	Amritsar Mech. Drg. Division, Amritsar	1997-98	34560	18901	55
		1998-99	36560	22551	62
		1999-2000	38235	15762	41
		2000-2001	38460	11692	30
2.	Mech. Drg. Construction Division, Ferozepur	1997-98	32280	28926	90
		1998-99	51680	48788	94
		1999-2000	54560	33014	61
		2000-2001	55680	29908	54
3.	Jalandhar Mech. Drg. Division at Nangal.	1997-98	27840	31424	113
		1998-99	28940	17662	61
		1999-2000	23040	14355	62
		2000-2001	21260	10612	50

The position brought out above indicated that machinery was under utilized. On enquiry the XEN Drainage Mechanical Division Amritsar and XEN

Works costing Rs. 2.82 crore got executed from private contractors when Government machinery was lying idle.

Mechanical Drainage construction division Ferozepur stated (April and July 2001) that machines were utilized as per available workload whereas XEN Jalandhar Mechanical Drainage Division at Nangal stated (April 2001) that civil divisions were placing job orders on private contractors. The reply of XEN Ferozepur was not tenable as it was noticed that in 4 divisions the work of re-sectioning and reconditioning of drains costing Rs. 2.82 crore had been executed by private contractors during the period 1997-2000. Thus, execution of works from private contractors was irregular, as machinery available with the department was lying idle.

4.2.11 Personnel management

No consolidated record was maintained at Secretariat level or at head of department (Chief Engineer) level regarding norms for sanction of posts, number of posts sanctioned and persons actually in position. However, scrutiny of records in 16 offices revealed the position of staff as under:

Category	Sanctioned posts	In Position	Shortage
Technical	532	460	72
Non-Technical	3674	3070	604
TOTAL	**4206**	**3530**	**676**

The XENs attributed the shortage of staff to non-posting of officials by Head Office. The department should have reviewed the position of vacant posts and abolished the excess posts.

4.2.11.1 Idle staff

The work on construction of SYL canal project was abandoned in July 1990 but 1634 regular employees remained with the project and drew pay and allowances amounting to Rs. 76.71 crore without any work during the period 1996-2001.

An expenditure of Rs.100.79 crore was incurred on the pay and allowances of regular staff without any work.

Similarly the work of lining of channels under phase-II was stopped in July 1998 and no work was executed during the years 1999-2001 though Rs.24.08 crore were spent on salary of the staff.

The department had not yet initiated action to adjust the idle staff, though substantial vacancies were available within the department itself. Reasons enquired (November 2000) from Government for non-adjustment of staff were awaited (August 2001).

4.2.11.2 Irregular drawal of fixed traveling allowance

Under the Punjab Civil Services Rules, fixed traveling allowance (FTA) is paid for performing duties within a radius of 25 Kms from duty place at least for 12 days in a month and subject to furnishing of field duty certificate by the Sub-Divisional Officer, in case of Junior Engineer (JE) working under his control.

Scrutiny of records in six divisions of SYL and Canal Lining Projects revealed that Rs. 10.05 lakh were irregularly paid to JEs during the period between July 1998 and January 2001 though they were not performing field duties as these divisions did not execute any works during the above period. Reasons for irregular drawal of FTA from CE (July 2001) were awaited (August 2001).

4.2.11.3 Training

The project of "Punjab Irrigation Management Training Institute (PIMTI)" was proposed to be established at Amritsar (October 1987) with initial financial assistance from World Bank. The object of this Institution was to impart training to newly recruited staff, refresher courses for senior level staff and workshops/ seminars to provide interaction between planners, designers and practising engineers. The work for establishment of PIMTI was taken up in 1991-92.

The work on construction of building comprising Administrative Block, Guest House, Trainees Hostel, Residential Building for faculties Computer Centre etc. was taken up in 1996-97 and expenditure of Rs.3.52 crore had been incurred on the project as of December 2000.

The details of training courses to be held and actually held, duration of course and number of participants during 1996-2001 was as under:

Period	No. of courses		Total No. of participants	Duration of courses	Total days consumed
	To be held	Actually held		Days	Days
1996-97	14	6	35	2 to 9	23
1997-98	14	9	150	2 to 5	28
1998-99	17	8	222	1 to 8	19
1999-2k	15	11	231	1 to 4	32
2000-01	14	10	125	1 to 4	29
	74	44	763	1 to 9	131

Even after incurring expenditure of Rs. 3.52 crore on creating infrastructure and Rs. 31.73 lakh on establishment, the department could not hold required courses.

Against target of 74 courses only 44 courses were held during 1996-2001. It was further noticed that 5 courses were of one-day duration, in two courses there was only one participant and no course was held for newly recruited staff. Against provisions of 6 faculty members for imparting training only one member remained deployed on contract basis during the period from December 1998 to July 2000. Thus, even after incurring expenditure of Rs.3.52 crore on creating infrastructure and Rs.31.73 lakh on establishment during 1996-2001, the department could not hold required courses.

4.2.12 Research

A Research Institute for development of science of irrigation and drainage engineering, hydraulics, hydrology and ground water, concrete technology, land reclamation and mechanics and foundation engineering etc. had been established at Amritsar. Funds allotted to the institution and expenditure there against during 1996-2001 were as under:

(Rupees in lakh)

Year	Funds allotted	Expenditure	Shortfall	Expenditure on Establishment
1996-97	68.30	51.23	17.07	318.31
1997-98	78.69	43.68	35.01	362.41
1998-99	70.90	39.90	31.00	635.22
1999-2000	63.40	20.91	42.49	634.23
2000-2001	31.65	0.85	30.80	571.86
TOTAL	**312.94**	**156.57**	**156.37**	**2522.03**

The department had, thus, undertaken a very little research work during 1996-2001 as only 6 per cent of expenditure was incurred on research work during these years against the 94 per cent on establishment.

4.2.13 Heavy outstanding in Miscellaneous Public Works Advances

The amounts kept under Miscellaneous Public Works Advances (MPWA) are required to be cleared urgently either by actual recovery or by transfer to concerned head of account with proper sanction and authority.

In 20 divisions of Irrigation, a sum of Rs. 14.48 crore was lying unadjusted in MPWA account pertaining to the period 1946-47 to 2000-01. These amounts were outstanding against departmental officials, contractors and suppliers.

Audit scrutiny revealed that in 7 divisions Rs. 36.54 lakh were due from officials who had either retired or expired and further in 5 divisions, Rs. 35.13 lakh were outstanding against officials whose whereabouts were not known to XENs. The position from other divisions could not be ascertained for want of details. Thus, failure of XENs to initiate timely action to recover/adjust the amount in accordance with provisions of rules had put the Government to loss of Rs.71.67.lakh.

4.2.14 Vigilance and Quality control

The CE Vigilance and Quality Control, Punjab, Patiala is entrusted with the work of conducting technical examination of works and to investigate vigilance cases. As per State Government orders (January 1989) case files relating to technical examination of works and vigilance investigations were not subject to audit by Statutory Audit. Test check of records of the CE revealed that neither any norms for selection and checking of cases had been fixed nor consolidated record showing number of cases received, selected, filed or sent to Government for taking suitable action had been maintained. The information collected showed that 3 Technical Examiners (TE) examined 895 works during last five years ending March 2001 and one of them had checked only one case during 1998-99. Work done by the remaining 3 TEs was not made available to audit. However, 470 cases of technical examination (1990-2001) and 135 cases of investigation conducted in 1996-2001 and sent for taking necessary action were pending with Government.

The Estimates Committee of Punjab Vidhan Sabha in its Report for the year ended March 1999 had pointed out that this wing had failed to exercise its responsibilities. Results of action taken on the recommendations by the Government were not made available (August 2001).

4.2.15 Evaluation and monitoring

The Evaluation Directorate set up in March 1977 to carry out the evaluation of completed Irrigation, Drainage and Lining Projects for guidance and framing of future projects, was engaged in evaluation of schemes executed under World Bank Phase-II which remained in progress from 1991 to 1998. Last evaluation report on some of the activities of the project was submitted to World Bank in 1998. Since the World Bank had stopped reimbursement of expenditure from August 1998, the directorate did not undertake any evaluation work thereafter.

Similarly a Directorate of Monitoring had been set up to monitor the physical and financial progress of projects exceeding Rs.30 crore whereas, the monitoring of projects costing below Rs. 30 crore is done by respective CE. It was seen in audit that monitoring was not effective as the directorate had no information on installation of shallow tubewells under Anti Water Logging Scheme. Though the statistical data of the State indicated that area under irrigation had reduced during 1996-2000, the directorate in its Management Information Report (MIR) prepared in December 2000 had included inflated statistics of 62925 hectares command area under canal irrigation.

4.2.16 Conclusion

The objective of Irrigation department was to construct and maintain canals, multi purpose river projects, control of floods and water logging in the State. The department did not adhere to the provisions of Punjab Budget Manual while preparing annual budget estimates and un-necessary supplementary grants and re-appropriation were being obtained. Even after lining of 452.12 kms channels during 1996-2000 the area irrigated through canals decreased and farmers preferred to have their own private irrigation facilities. The Irrigation department had to incur avoidable expenditure of Rs.1.93 crore and liability of Rs. 17.15 crore due to non-adherence of provisions of Land Acquisition Act. The performance of training and research institutes was not satisfactory.

The material was developed into draft audit review for consideration of Government and the same was forwarded to the Secretary (June 2001) for reply within six weeks. The matter was followed up demi-officially with reminder to the Secretary in July 2001. However, inspite of such efforts, no reply was received from the Secretary (November 2001).

SECTION 'B' – AUDIT PARAGRAPHS

Public Works Department
(Buildings and Roads Branch)

4.3 Ungainful expenditure due to continuation of a Sub-Division

Indecision of Government to either entrust additional work to Sub-Division at New Delhi or order its closure had resulted in ungainful expenditure of Rs.72.24 lakh on the pay and allowances of staff.

Prior to 1987-88, a Junior Engineer was looking after the maintenance work of Nabha Estate at New Delhi and maintenance of Punjab Bhawan was under over-all control of General Manager Engineering wing of Hospitality Department of Punjab. For undertaking the construction work of 'B' Block of Punjab Bhawan, a Sub-Division of Provincial Division No. 1, Patiala was shifted to Nabha House at New Delhi during 1987-88. The work was completed in 1989 and thereafter the maintenance work of this portion of Punjab Bhawan was also taken over (1990) by the Hospitality department (Engineering Wing). Thus the Sub-Division was left with maintenance of Nabha Estate only which did not justify the existence of a complete Sub-Division.

The Chief Engineer (CE), Public Works Department (Buildings and Roads Branch) intimated (January 1997) this fact to the Secretary, Public Works Department and proposed entrustment of the maintenance of Punjab Bhawan to this Sub-Division. The Resident Financial Commissioner Government of Punjab at New Delhi (RFC) also reviewed the position and reported (March 1997) that there was no justification for continuation of the Sub-Division at New Delhi and proposed its immediate closure. He also suggested that maintenance work of Nabha Estate could be entrusted to a Junior Engineer on the pattern that existed before inception of the Sub-Division.

The scrutiny of the records (July 1999) disclosed that the Sub-Division continued to function with staff comprising 2-JEs; 1-Clerk; 1-Care taker; 1-Auditor; 5-Mali/Chowkidars and 1-Peon under the charge of a Sub-Divisional Engineer. No decision had, however, been taken even after lapse of four years of being pointed out (January 1997/March 1997) and Rs.72.24 lakh were spent on their pay and allowances (excluding one Junior Engineer as recommended by the RFC) during 1990-2001 without justification of work.

The CE stated (May 2001) that the Sub-Division besides maintenance of Nabha Estate was also performing other duties such as liaisoning with the Ministry of Surface Transport, Government of India and defending various court cases against the department etc. The reply was merely an after thought because the Sub-Division was created for carrying out construction in Punjab Bhawan and not for carrying out liaison work or defending cases against the department. Moreover, there was nothing on record to show that the staff of sub-division did any additional work other than the maintenance of Nabha estate which would justify its continuance. Resultantly, the expenditure on their pay and allowances remained ungainful.

The material was developed into draft audit paragraph for consideration of Government and the same was forwarded to the Secretary to Government (April 2000) for reply within six weeks. The matter was followed up demi-officially with reminder to the Secretary in May 2001. However, inspite of such efforts, no reply was received from the Secretary (November 2001).

4.4 Blockade of funds on incomplete building of DIET

Injudicious action of Public Works authorities to enhance the scope of work beyond the administrative approval resulted into blockade of funds of Rs.42.85 lakh.

In accordance with the norms for grant of Central assistance for establishment and upgradation of District Institute of Education and Training (DIET) fixed by the Government of India (GOI) under the Centrally Sponsored Scheme for Restructuring and Reorganisation of Teachers Education, Government of Punjab accorded administrative approval (June 1989) for construction of a DIET building including staff quarters and hostel at Sheikhupur (Kapurthala district) at a cost of Rs.44.50 lakh. The Secretary, department of Education in the meeting held in September 1989, conveyed to the Superintending Engineer, Amritsar Circle, PWD B&R, Amritsar that the cost of works should not exceed the administrative approval and the amount deposited. The Director, State Council of Education Research and Training (SCERT) deposited Rs.37 lakh with the XEN in phases during 1989-91.

Scrutiny of records (June 1995 and June 1998) of the Executive Engineer, Provincial Division, (Buildings and Roads), Kapurthala (XEN) revealed that keeping aside the norms fixed by GOI and amount of administrative approval, the Chief Engineer enhanced the scope of work and approved (June 1989) a rough cost estimate amounting to Rs.1.13 crore based on drawings and specifications supplied by the Senior Architect (North) Patiala for construction of DIET building including Boys and Girls hostels, Staff Quarters and Boundary Wall. As no contractor came forward to execute the work against the tenders invited (August and September 1989) the XEN took up the work in piece meal (work orders basis). He transferred Rs. 6 lakh to Public Health Division and Rs. 2 lakh to Electrical Division and against the balance amount of Rs. 29 lakh, he incurred an expenditure of Rs. 34.85 lakh up to March 1992 whereas neither the revised administrative approval was received from client department nor further funds were deposited after 1990-91. The XEN had framed a revised estimate (March 1998) amounting to Rs. 2.35 crore for completion of the work. The work was held up (May 2001) due to paucity of funds.

On being pointed out the Chief Engineer stated (June 1999) that expenditure was incurred in anticipation of receipt of funds and the user department had been asked to deposit the balance amount. Whereas the Director, SCERT stated (March 2000 and May 2001) that despite repeated requests neither the State Government nor GOI had released funds for completion of DIET building. The replies were not tenable as the work should have been planned in accordance with norms fixed by GOI and also within the amount of administrative approval. Thus, injudicious action of Public Works authorities to enhance the scope of work beyond administrative approval resulted in blockade of funds of Rs. 42.85 lakh on construction of DIET building for over 10 years besides, the intended benefits of the DIET building also remained unachieved.

The material was developed into a draft audit paragraph for consideration of Government and the same was forwarded to the Secretary to the Government in May 2000 for reply within 6 weeks. The matter was followed up demi-officially with reminder to the Secretary in July 2001. However, inspite of such efforts, no reply was received from the Secretary (November 2001).

4.5 Delay in completion of inquiry

Inordinate delay in completion of inquiry of sub-standard execution of retaining walls resulted in abandonment of work for over 7 years even after spending Rs.26.87 lakh.

The rules provide that every Government employee while incurring or sanctioning expenditure from the revenue of the State should be guided by high standard of financial propriety.

The scrutiny of records (October 1999) and information collected subsequently revealed that the Executive Engineer, Rural Works Division, Batala (XEN) allotted the work of construction of Narainpur to Baroh (2.88 kms) link road between April and July 1993 by splitting up the work into 30 different work orders before sanction of the estimate. The work was technically approved (August 1993) by the Superintending Engineer, Pathankot Circle, PWD B&R, Pathankot (SE) at an estimated cost of Rs. 33.75 lakh. The XEN after incurring an expenditure of Rs. 26.87 lakh stopped the work (September 1994) on the plea of non-receipt of funds, though the balance amount of Rs.8 lakh released (July 1995) by the District Road Committee was surrendered by the XEN being insufficient. In the meantime, on the basis of a complaint made by the Sarpanch Dharkalan, quality control team of Public Works Department (PWD) inspected the work in July and November 1994 and found that 45 retaining walls (involving expenditure of Rs.15.88 lakh) constructed on the road were incomplete/not constructed according to structural drawings and were sub-standard/unsafe and the officials supervising the work had made fictitious record entries of the work done. The above facts finding report was submitted to Government in May 1995. The Secretary, PWD, however, took more than one year to serve charge sheets, another 2 years for appointment of Inquiry Officer and finally submitted (August 2000) the report to Government concluding gross negligence in construction of retaining walls and causing wasteful expenditure of Rs. 15.88 lakh. No action had, however, been taken so far on the inquiry report (May 2001). The work remained suspended upto April 2001 after incurring expenditure of Rs.26.87 lakh. Another estimate amounting to Rs.29.92 lakh for the construction of the remaining road and repairs had also been approved (December 2000) by the SE and the work was started in May 2001.

Thus, inordinate delay in completion of inquiry regarding substandard execution of retaining walls had resulted in abandonment of work for over 7 years even after incurring an expenditure of Rs. 26.87 lakh, including wasteful expenditure of Rs.15.88 lakh on construction of substandard retaining walls. In addition, the inhabitants of rural area were also deprived of the intended benefits of smooth road. No reasons for taking action against the defaulting officers or fixing of responsibility were furnished by the department (August 2001).

The material was developed into draft audit paragraph for consideration of the Government and the same was forwarded to the Secretary to the Government in February 2001 for reply within 6 weeks. The matter was followed up demi officially with reminder to the Secretary in May 2001. However, inspite of such efforts, no reply was received from the Secretary (November 2001)

4.6 Avoidable expenditure of Rs.24.11 lakh

Failure of the Executive Engineer in ensuring clear site before allotment of work resulted in avoidable expenditure of Rs.24.11 lakh towards compensation.

The Executive Engineer, Central Works Division, Ropar (XEN) allotted (August 1987) the work "Construction of approaches to bridge No. 3 over SYL canal crossing N.H-21 at RD-31880 in Km. 38 Kurali-Ropar section" to a contractor for completion in 4 months. The work was completed (September 1989) after a delay of 21 months due to delay in providing clear site as it required i.e completion of diversion, hume pipe culverts, shifting of electric high-tension wires, telephone lines, construction of wing walls and abutment. The contractor went in for arbitration (August 1992) before the Superintending Engineer, National Highway Circle, B&R Jalandhar (SE) and lodged a claim of Rs. 68.87 lakh for loss due to idleness of establishment, men and machinery and delay in providing clear site after 21 months for execution of work. The Arbitrator awarded (August 1997) Rs. 15.10 lakh in favour of contractor for overheads and idleness of men and machinery for 160 days.

The department filed (September 1997) an appeal in the court of Civil Judge, Ropar on the ground that the Arbitrator was not appointed by the competent authority, case was time barred, excessive rate of interest and illegality of award etc. which was dismissed (August 1999). Inspite of Director, Prosecution and Additional Secretary to Government of Punjab recommendations, not to file another appeal, Department filed an appeal (November 2000) in the court of Additional District Judge, Ropar which was also dismissed (December 2000). The department made the payment (December 2000) amounting to Rs. 24.11 lakh (overheads of Rs 15.10 lakh and interest of Rs. 9.01 lakh) from August 1997 to December 2000. The department was thus not justified in filing an appeal (November 2000) especially after the Director, Prosecution and Additional Secretary to Government of Punjab suggested that the case was not fit for appeal.

Thus, delay of 21 months for providing clear site to the contractor for execution of work resulted in avoidable expenditure of Rs.24.11 lakh towards compensation.

The material was developed into a draft audit paragraph for consideration of Government and the same was forwarded to the Secretary to the Government in March 2001 for reply within 6 weeks. The matter was followed up demi-officially with reminder to the Secretary in May 2001. However, inspite of such efforts, no reply was received from the Secretary (November 2001).

4.7 Excess expenditure due to adoption of costlier specification on work of tack coat

Adoption of costlier specification on work of tack coat other than Ministry of Surface Transport resulted in excess expenditure of Rs. 26.53 lakh.

The Ministry of Surface Transport (MOST) revised the rates of application of tack coat from April 1995 and advised the application of a single coat of bituminous emulsion varying from 2 Kgs to 2.5 Kgs per 10 square metre area on existing road surface in place of 5 kg. of bitumen. Common Schedule of Rates (CSR) of Punjab Government also prescribes that revised rates of application of tack coat issued by the MOST, Roads Wing, (latest edition) are to be adopted for execution of Road works. The existence of such a provision was brought to the notice of all the SEs in Punjab (October 1996).

However, test check of records (July/December 2000) of the Executive Engineer, Rural Works Division, Mukerian and Executive Engineer, Roads and Bridges Division, Barnala revealed that tack coat had been applied on 15 road works by the Executive Engineers using 5 kgs bitumen instead of 2 to 2.5 kgs bituminous emulsion per 10 square metre area. Thus 726.559 MT of bitumen valuing Rs. 60.21 lakh instead of 363.301 MT bituminous emulsion valuing Rs. 33.68 lakh had been consumed on the road works executed during 1998-2000 which resulted in excess expenditure of Rs. 26.53 lakh.

On being pointed out by audit (July/December 2000) and further information collected (July 2001) the Executive Engineers stated that material had been used according to estimates approved by the competent authorities between September 1997 and February 2001. The reply was not tenable as the estimates should have been prepared keeping in view the revised specification of MOST (1995).

The material was developed into draft audit paragraph for consideration of Government and the same was forwarded to the Secretary to the Government in April 2001 for reply within six weeks. The matter was followed up demi-officially with reminder to the Secretary in May 2001. However, inspite of such efforts, no reply was received from the Secretary (November 2001).

Irrigation and Power Department

4.8 Avoidable payment of interest

Delay of 2 years in processing the arrangement of funds resulted in avoidable payment of interest of Rs. 18.90 lakh.

Land measuring 778 Kanal and 17 marla of Perch village was acquired by the Government between November 1989 and May 1990 for construction of Perch Dam and the award was announced by the Land Acquisition Officer (LAO) in July 1991. Aggrieved with the amount of award, the claimants filed an appeal (May 1993) in the court of Additional District and Session Judge, Ropar (Court) for enhancement of compensation. The Court decided (September 1997) the case in favour of land-owners and also allowed the benefit of interest on enhanced compensation from the date of taking possession till the date of payment.

As the LAO did not make payment of enhanced compensation immediately after the decision of court, the claimants filed (October 1997) an execution application in the court. In the meantime the Director, Prosecution and Litigation, Punjab held (November 1997) that it was not fit case for further appeal. Despite this, the Executive Engineer, Maili Construction Division, Mohali (Divisional Officer), did not initiate the process to arrange funds till July 1998. However, on being asked by the court (July 1998) to deposit the amount in the court, he forwarded demand for allocation of funds of Rs. 1.90 crore to CE in September 1998. The Secretary Irrigation and Power Department released (November 1999) Rs. 1.90 crore after a lapse of over one year. Of this Rs. 1.51 crore due to be disbursed to the claimants including interest upto November 1999 were deposited in the court. Thus inaction on the part of the Divisional Officer to arrange funds immediately after the decision for not filing an appeal and subsequent delay by Government in arranging funds resulted in avoidable payment of interest amounting to Rs.18.90 lakh for the period from December 1997 to November 1999.

In reply to audit observation, the Divisional Officer stated (February 2001) that he was not made party in the court case in the first instance and when asked by the court, demand for funds was forwarded during financial year 1998-99 and funds were provided by the State Government during 1999-2000.

The reply of the Divisional Officer was not tenable as the LAO took 11 months in forwarding the demand to the client department i.e. Superintending Engineer/Executive Engineer, whereas the Principal Secretary, Irrigation & Power Department took another 13 months in arrangement of funds and the State Government had to pay an avoidable amount of Rs. 18.90 lakh as interest to land owners.

The material was developed into a draft audit paragraph for consideration of government and the same was forwarded to the Secretary to the Government in November 2000 for reply within six weeks. The matter was followed up demi-officially with reminder to the Secretary in May 2001. However, inspite of such efforts, no reply was received from the Secretary (November 2001).

4.9 Non-recovery of expenditure on repair of water courses

Non-adherence to rules had resulted in incurring irregular expenditure and non-recovery of expenditure of Rs.15.21 lakh incurred on repair of watercourses.

As a general rule, the watercourse of irrigation etc, projects are not constructed by the Government as integral part of the projects, the liability of State being confined to the provisions of main canal and such branches and major and minor distributaries as may be decided upon by the competent authority from time to time. However, after a work has been executed, the cost of maintenance and repairs of water courses in all cases is to be borne by the cultivators concerned.

The scrutiny (May 2000) of records of the Executive Engineer, Kandi Area Dam Maintenance Division, Hoshiarpur (Divisional Officer) revealed that Government accorded approval (November 1997) for immediate repair of the damaged watercourses in the command area of Dholbaha, Janauri, Maili, Damsal and Chauhal Dams at an estimated cost of Rs. 27.17 lakh. The expenditure was to be met out of the funds available for operation and maintenance of the dams during the financial year 1997-98. The Divisional Officer, repaired the watercourses at an expenditure of Rs. 15.21 lakh during the years 1998-99 (Rs. 7.98 lakh) and 1999-2000 (Rs. 7.23 lakh) without revalidation or seeking revised approval of the Government. The expenditure, thus, incurred in subsequent years was irregular. Further, though the expenditure incurred on repair and maintenance of watercourses was ultimately recoverable from the cultivators in accordance with the rules, the Divisional Officer did not initiate any process to recover the amount from the cultivators.

When pointed out (May 2000) the Divisional Officer stated (September 2000) that though watercourses were to be maintained and repaired by the beneficiaries at their own cost, however, considering the poor and backward conditions of the farmers of Kandi region, the concurrence of Government for repair of watercourses by the department was accorded so that irrigation facilities be utilised by the end users. As the Government had accorded approval for incurring of expenditure, demand for recovery from the cultivators was not raised. The reply was not tenable as the Secretary Irrigation and Power department had accorded approval for meeting the expenses on repair of watercourses during the year 1997-98 only. Moreover, neither sanction to utilize the funds during the years 1998-99 and 1999-2000 was accorded nor any orders to waive off the recoveries from the beneficiaries were issued.

Thus, failure of the Divisional Officer to act in accordance with provision of rules resulted in incurring irregular expenditure of Rs. 15.21 lakh and also non recovery of dues from cultivators.

The material was developed into a draft audit paragraph for consideration of Government and the same was forwarded to the Secretary to the Government in February 2001 for reply within 6 weeks. The matter was followed up demi-officially with the Secretary in May 2001. However, inspite of such efforts, no reply was received from the Secretary (November 2001).

CHAPTER – V

CHAPTER -V

STORES AND STOCK

AUDIT PARAGRAPH

DEPARTMENT OF HOME AFFAIRS AND JUSTICE (JAILS)

5.1 Stores and Stock Accounts

5.1.1 Introductory

To achieve the objective of the Jail department of protecting society through correction, resocialisation and rehabilitation of offenders, the department provides institutional and non-institutional treatment by imparting training in furniture manufacturing, tent preparing, cloth weaving and soap making etc. Besides this, agricultural farming and other operational works for the up-keep of inmates is also undertaken, for which the department purchases stores like raw material, machinery and equipment, dietary articles and other store articles of daily use. The funds are provided in the budget and purchases of raw material, machinery and equipment are made against 90 percent advance payment against Railway Receipts/Goods Receipts (RR/GR) and other articles on credit basis.

There are 7 Central, 5 District, 2 Open Air, one Women, one Borstal (Juvenile) Jails and a Training School under the overall administrative control of the Inspector General of Prisons (IGP). Based on the test check of records for the years 1996-97 to 2000-2001 undertaken between December 2000 and March 2001 in the offices of I.G.P, 5* Central Jails, 2** District Jails, Borstal (Juvenile) Jail, Ludhiana, and Open Air Jail, Nabha, the following were observed:

5.1.2. Purchase of stores

5.1.2.1 Extra/avoidable expenditure on purchases

(i) Financial rules provide that while making purchases preference should be given to Government Departments/Govt owned undertakings. Punjab State

* Amritsar, Bathinda, Jalandhar, Ludhiana and Patiala.

** Kapurthala and Nabha.

Forest Development Corporation Limited (PSFDC) had been intimating from time to time to the IGP the rate for supply of fuel wood available with them.

Local purchase of fuel wood resulted in extra expenditure of Rs. 18.12 lakh.

Between April 1996 and March 2001, 3*** Jails purchased 51636 quintals of fuel wood valuing Rs.80.06 lakh from local market at rates higher than that of PSFDC even without obtaining non availability certificate (NAC) from PSFDC which resulted in extra expenditure of Rs.18.12 lakh.

On ascertaining the reasons for purchase at higher rates in contravention of the rules, Superintendent Central Jail, Amritsar stated (February 2001) that the large quantity of fuel wood required was not available with PSFDC. This was not tenable in the absence of NAC. Superintendent, Central Jail, Bathinda stated (March 2001) that PSFDC did not supply fuel wood on credit basis which was also not tenable as this could not be established from any record and in any case the payment could have been made after obtaining proforma invoice. Superintendent Central Jail, Patiala, however, assured compliance in future.

(ii) Punjab Jails Manual provides that Superintendents/Deputy Superintendents of Jails are responsible for making proper arrangements for the purchase of grain, subject to the limits of (including the stock in hand)15 months' supply and of the storage room available. Instructions (June 1998) provided that the requirement of wheat for the year should be worked out and tenders for the purchase of wheat should be called between 20th - 30th April and finalised by 7th May so as to ensure that the required quantity of wheat is procured during crop season viz. April-May. The instructions further provided that in respect of jails where there is a shortage/problem of storage capacity, the Superintendent would be responsible for making arrangement for storage of wheat in warehouse.

Purchase of wheat in off season resulted in avoidable expenditure of Rs.10.07 lakh.

Test check of records in respect of 3* jails, however, revealed that out of 15182 quintals of wheat purchased during 1997-2000, 10713 quintals (71 percent) as tabulated below was purchased during off season at higher rates resulting in extra expenditure of Rs.10.07 lakh (excluding storage charges).

Year	Total wheat purchased	Wheat purchased between		Percent of purchase in off season
		April-May	July-March	
	(quantity in quintals)			
1997-98	2544	1165	1379	54
1998-99	6157	954	5203	85
1999-2000	6481	2350	4131	64
Total	**15182**	**4469**	**10713**	71

On being pointed out Superintendents Central Jail, Amritsar and Jalandhar took the plea of storage problem whereas Central Jail, Bathinda stated that the budget was released by Government in quarterly instalments. The replies were not tenable as it was the responsibility of the Superintendents Central Jail Amritsar and Jalandhar to arrange storage in warehouse as provided in the

*** Central Jails Amritsar, Bathinda and Patiala

* Central Jail Amritsar, Bathinda and Jalandhar.

instructions and in respect of Bathinda jail, it was for the department to ensure timely release of budget.

Lack of proper planning and co-ordination resulted in avoidable loss of Rs.5.55 lakh.

(iii)Test check of records of Open Air Jail, Nabha revealed that milk produced (138768 litres) in the dairy farm between 1996-97 and 2000-2001 was sold at rates ranging between Rs.4.50 and Rs.7.00 per litre. However, during the same period District Jail, Nabha purchased 9650 Kgs milk powder (equivalent to 77200* litres milk) which costed Rs.12.50 and Rs.13.75 per litre. Lack of proper planning and co-ordination had resulted in avoidable loss of Rs.5.55 lakh which was admitted by the department by stating that the possibility of transferring the milk from one jail to another was not explored for want of proposal from both the jails. It was further stated (April 2001) by the IGP that the Superintendent, Open Air Jail, Nabha was asked time and again to revise the rates for sale of milk which was not done.

5.1.2.2 Purchase in excess of requirement

Under the rules, purchases must be made in the most economical manner and in accordance with a definite requirement. At the same time, rules provide that care should be taken not to purchase stores much in advance of actual requirements, if such purchases are likely to prove unprofitable to Government.

(i) In 3*** jails 11503# Cubic feet (cft) wood (Kail: 9533; Deodar: 1264 and Partal: 706 cft) valuing Rs.86.98 lakh was purchased between 1997-98 and 1998-99. It was noticed that only 7355 cft (Kail: 6233; Deodar: 665 and Partal: 457 cft) wood was consumed leaving a balance of 4148 cft (Kail: 3300; Deodar: 600 and Partal: 248 cft) valued at Rs. 32.09 lakh as of March 2001 resulting in excess purchase.

Purchases in excess of requirements Rs.75.97 lakh (wood: Rs.32.09 and yarn: Rs.43.88 lakh).

(ii) Though there was closing stock of 262 bales of HL yarn and 189.50 quintals of PL yarn with 5$ Jails at the end of March 1996, 388 bales of HL yarn and 160 quintals of PL yarn valued at Rs.82.65 lakh were further purchased during 1996-97. Only 217 bales HL and 177 quintals PL yarn were actually consumed leaving a closing balance of 433 bales HL and 172.50 quintals of PL yarn at the end of March 1997 resulting in excess purchase of yarn worth of Rs.82.65 lakh during 1996-97. Further 378 bales of HL and 210 quintals of PL yarn were also purchased during 1997-98 to 2000-2001 and there had been a balance of 242 bales of HL and 40 quintals of PL yarn valuing Rs. 43.88 lakh as of March 2001.

The Superintendents concerned while admitting the facts, stated (January-March 2001) that the purchases were made in anticipation of orders for finished goods.

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* 10 Kgs milk powder equivalent to 80 litres toned milk
*** Central Jail Amritsar, Bathinda and Patiala.
\# 9562 cft: 1997-98 and 1941 cft: 1998-99
$ Central Jails, Amritsar, Bathinda , Jalandhar, Ludhiana and Patiala

5.1.3. Disposal of stores

5.1.3.1. Non recovery of sold goods

In audit it was noticed that in respect of 8** Jails, Rs.8.42 crore representing sale value of manufactured goods were outstanding for recovery as of January-March 2001. Age-wise and department-wise analysis of outstanding amount was as under:

Name of Department/ Agency	More than 5 years	More than 3 but less than 5 years	More than 1 but less than 3 years	Less than 1 year	Total
	(Rupees	in	lakh)		
i) Own Jails	111.26	106.70	75.24	43.55	336.75
ii) Sister Jails***	65.35	49.08	47.85	33.38	195.66
iii) Other Govt. Departments	86.54	58.62	26.35	62.72	234.23
iv) Private Societies	-	-	-	75.66	75.66
Total	**263.15**	**214.40**	**149.44**	**215.31**	**842.30**

Scrutiny of the table revealed that out of total recoverable amount of Rs. 8.42 crore, Rs.2.63 crore (31 per cent) for over 5 years and Rs.2.14 crore (25 per cent) for more than 3 years were outstanding. No serious efforts had been made to effect recovery for the goods sold.

On being pointed out in Audit (March 2000) Superintendents concerned stated that efforts were being made for recovery of outstanding amount.

5.1.3.2 Non disposal of manufactured goods

(i) As per rules, Head of Department in respect of Jail Department should supply annually, in the month of January, to all Heads of Departments and Disbursing Officers under advice to Government a list with quantity/prices of goods manufactured for sale.

Manufactured goods worth Rs.80.91 lakh lying undisposed off.

Test check of records revealed that no such list was ever circulated except in November 1997 that too without the quantity and price of items. Non-observance of the rules had, thus, resulted in non disposal of goods valuing Rs.80.91 lakh as of January-March 2001 manufactured in 7* Jails during March 1987 to February 2001.

The Superintendents Jails intimated (January-March 2001) that non disposal of stock was due to non receipt of anticipated orders of finished goods from other departments. Reply was not tenable as non-compliance to the rules regarding circulation of lists had, thus, resulted not only in non-disposal of

** Central Jail Amritsar, Bathinda, Jalandhar, Ludhiana and Patiala, District Jail, Kapurthala, Borstal (Juvenile) Jail Ludhiana and Open Air Jail Nabha.

*** Other jails in the Punjab State

* Central Jails Amritsar, Bathinda, Jalandhar, Ludhiana, Patiala, District Jail Kapurthala and Borstal (Juvenile) jail Ludhiana..

manufactured goods for years together but also undue storage and blocking of funds.

5.1.3.3. Non disposal of surplus stores

According to rules, surplus store lying in stock for over a year should either be transferred to the places where these could be utilized or disposed off otherwise.

Stores valuing Rs.59.33 lakh lying undisposed.

In 7** jails surplus stores (Commercial board, Conduit pipe, Cotton yarn, Stockinet, Sisal rope, Soap material and Sunmica etc.) valuing Rs.59.33 lakh (Rs. 21.68 lakh for more than 5 years; Rs. 22.76 lakh more than 3 years and Rs.14.89 lakh for over a year). was lying unutilized/undisposed off as of January-March 2001.

On ascertaining the reasons for non disposal, it was admitted that these stores were purchased much in advance of requirements and that action for transfer/disposal would be taken.

5.1.3.4 Unserviceable/condemned stores.

(i)It was seen that minor store articles like utensils, fans, blankets and minor implements valued at Rs.2.39 lakh (Central Jail Amritsar Rs.0.35 lakh; Central Jail Bathinda Rs.0.67 lakh and Central Jail Jalandhar Rs.1.37 lakh) declared condemned were awaiting disposal (March 2001).

(ii)Further 37 number tents and kanats valued at Rs.2.14 lakh in Central Jail Jalandhar declared unserviceable (September 1999) were neither got condemned nor disposed off (March 2001).

5.1.4. Excess consumption of material

Punjab Jails Manual provided that each C-class prisoner would be issued 250 grams of tea daily and fixed the formula for consumption of material for the preparation of tea.

Consumption in excess of norms resulted in extra expenditure of Rs.99.69 lakh.

In 7 jails*, it was noticed that while working out consumption, material for preparation of 500 gms of tea was used instead of 250 gms during the years 1996-97 to 2000-2001 resulting in excess consumption of material valuing Rs.99.69 lakh. Superintendents Jails reported (March 2001) that as a matter of practice, tea was being served twice. The reply was not tangible as the inmates were entitled to 250 grams of tea daily instead of 500 grams shown to have been served.

** Central Jails Amritsar, Bathinda, Jalandhar, Ludhiana, Patiala, District Jail Kapurthala and Borstal (Juvenile) jail Ludhiana.

* Central jail Amritsar, Bathinda, Jalandhar, Ludhiana and Patiala, Borstal (Juvenile) jail Ludhiana and Disttt. Jail Nabha

5.1.5. Other Topics of Interest

5.1.5.1 Non obtaining of performance security

Undue financial aid of Rs.55.71 lakh.

According to terms and conditions of NIT, the successful tenderer was required to deposit a security equal to 10 per cent of approximate value of contract. It was noticed that in case of 117 orders (13 of IGP and 104 of 5** jail Superintendents) for supply of material worth Rs.5.57 crore, the required security of Rs.55.71 lakh was not obtained resulting in undue financial aid to the contractors.

Test check in Central jail, Jalandhar further revealed that in three cases the contractors did not make the complete supply and the balance quantity had to be purchased from the market at higher rates which resulted in extra expenditure of Rs.0.70 lakh besides non recovery of performance security from the defaulters.

IGP stated (December 2000) that had the security been obtained, the small firms would not have been able to supply material because of investment reasons. The Superintendent jails, however, stated (January-March 2001) that payment to the supplier was made by withholding some amount till order was completed. The reply was not tenable as security deposit was required as per terms and condition of NIT which was not relaxed.

5.1.5.2 Irregular transfer of material

Central Jail Jalandhar transferred material like conduit pipe and commercial board etc. valuing Rs.11.05 lakh to Model Jail Chandigarh during October 1996 to February 1997. Neither the amount had been shown as recoverable nor was it recovered (March 2001). In reply it was stated that matter regarding recovery of outstanding amount had been taken up with the IGP. Correspondence, however, revealed that Superintendent Model Jail, Chandigarh had stated (July 1999) that the material was sub standard and requested for lifting the material back.

5.1.5.3 Idle investment

Close Circuit Televisions (CC-TVs) system installed in 2 jails between June 1994 and August 1997 at a cost of Rs.61.11 lakh were declared non functional (September 1996 and January 1999) for lack of major repairs resulting in idle investment besides non-achievement of objectives viz. to closely monitor the activities of the prisoners as a security measures etc.

Name of jail	Month of installation	Cost including installation	Since when lying non functional	Reply of Superintendents jail
Central Jail Amritsar	June 1994	Rs.11.25 lakh	September 1996	Action was being taken for repair
Central Jail Patiala	August 1997	Rs.49.86 lakh	January 1999	-do-
	Total	**Rs.61.11 lakh**		

On being pointed out, the IGP stated (August 2001) that no repair of CC-TVs had been done.

** Central Jail Amritsar, Bathinda, Jalandhar, Ludhiana and Patiala.

The above points were referred to the IGP (April 2001). No response was received from him (November 2001).

CHAPTER – VI

SECTION – A

REVIEW

SECTION – B

CHAPTER – VI

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

SECTION 'A' – REVIEWS

Education Department

6.1 Punjabi University

Highlights

Punjabi University, Patiala was established with the objective of advancement of Punjabi studies and development of Punjabi language as a medium of instructions and for promotion of higher education and research. In addition to the funds generated by the University, State Government provides maintenance grants and the University Grants Commission (UGC) provides funds for various research projects. University maintains a number of revolving fund accounts which are not included in the budget proposals and thus do not depict the true and fair financial position of the University. Neither any system of quality control was in existence nor the activities of the University and impact of implementation of various programmes had ever been evaluated. Some of the significant findings are given below.

There was an accumulated balance of unutilized funds of Rs. 5.54 crore as on March 2001. In addition, accumulated balances of revolving funds (Rs.14.68 crore) and funds for self-supporting correspondence courses (Rs.3.27 crore) were also lying unspent which were not depicted in the budget.

(Paragraphs 6.1.4.1, 6.1.4.2, and 6.1.4.3)

University has not prepared the required balance sheets since its inception. Temporary advances amounting to Rs. 5.50 crore remained unadjusted.

(Paragraphs 6.1.4.4 and 6.1.4.5)

The services of the teaching staff were under utilized (25 per cent) having financial implication of Rs.7.62 crore.

(Paragraph 6.1.5.1)

69 programmes produced were found to be unworthy of telecast resulting in wasteful expenditure of Rs.1.07 crore.

(Paragraph 6.1.5.2)

Out of grant amounting to Rs.81.15 lakh provided by UGC during March 1998 for implementation of 2 projects, Rs. 72.26 lakh remained unutilized.

(Paragraphs 6.1.6(i) and (ii))

6.1.1 Introduction

Punjabi University, Patiala was established in April, 1962 with the objectives of advancement of Punjabi studies and development of Punjabi language as a medium of instructions and for promotion of higher education and research. The University offers post graduate courses in Arts, Social sciences, Humanities, Religious studies, Business administration, Commerce, Computer Science and Law education, besides imparting coaching to SC/ST students as well as students from general category for IAS, PCS (Jud.) services, banking services competitive examinations. It also runs graduate and post graduate classes through correspondence and also undertakes various research projects for which funds are provided by the University Grants Commission (UGC).

6.1.2 Organisational set up

The Governor of the State is the Chancellor of the University. The Vice Chancellor is the Principal Executive and Academic Officer who is appointed for 3 years and exercises control over its affairs in accordance with the statutes and regulations. He is the ex-officio Chairman of the Senate, the

Syndicate, the Academic Council and the Finance Committee and controls over the affairs of the University. He is assisted by the Registrar in the administrative functions and Finance Officer in financial matters.

6.1.3 Audit coverage

The accounts of the University are audited under Section-14 of Comptroller and Auditor General (Duties, Powers and Conditions of Services) Act, 1971. The records of 31 departments/branches out of 102 department/branches for the period 1996-2001 were reviewed during January to March 2001. The results of review are embodied in the succeeding paragraphs.

6.1.4 Budgetary Procedure and Accounts Control

6.1.4.1 The University prepares its annual budget showing its anticipated income and expenditure and submits the demands to the State Government who provides funds in the shape of grants in aid. In addition, funds are also received against Schemes/Projects sponsored by the UGC. The position of funds/grants received and expenditure incurred there against during 1996-97 to 2000-2001 was as under:

There existed an accumulated balance of Rs. 5.54 crore out of maintenance grant as on March 2001

	1996-97	1997-98	1998-99	1999-2000	2000-01
			(Rupees in crore)		
Opening Balance	1.28	2.35	4.93	8.36	8.30
Receipt	32.62	36.33	45.93	47.63	47.43
Total	33.90	38.68	50.86	55.99	55.73
Expenditure	31.55	33.75	42.50	47.69	50.19
Closing Balance	2.35	4.93	8.36	8.30	5.54

Thus at the end of March 2001, there was an accumulated unutilised balance of Rs.5.54 crore lying in the banks. On ascertaining the reasons for keeping heavy closing balances, the University stated (August 2001) that unspent balances are kept in hand to meet the unforeseen expenses as the funds from Government/UGC are received late.

6.1.4.2 Unspent balances of Revolving funds

Non-depiction of unspent balances of revolving funds in Budget proposals resulted into excess release of grant

The State Government sanctions the maintenance grant towards net expenditure on the salary of staff, contingencies and other activities after taking into account the unspent balance lying with the University. It was, however, observed that the University authorities while submitting the budget proposals to the State Government for claiming maintenance grant did not include the unspent balances of the previous years lying in the Revolving Funds. The University was maintaining 25 revolving fund accounts in the banks opened with the approval of the Syndicate for different purposes. Unspent accumulated balance of Rs.14.68 crore lying in the revolving funds as on March 2000 were not taken into account while preparing the budget proposals resulting in excess release of grants. On the issue having been taken up with the University and the State Government, it was reported by the University (March 2001) that no excess grant was received. Reply was not tenable as the unspent balances were not depicted in the budget. Reply from the Government was awaited (August 2001).

6.1.4.3 *Funds of the self-supporting courses*

Non-depiction of unspent funds of the self supporting courses in the accounts resulted in claiming of excess grant of Rs. 3.27 crore

The University was running self-supporting correspondence courses such as M.Com, M.Ed, B.Ed, Diploma in Library Science, Diploma in Journalism and Gurmat Sangeet etc. The income derived and expenditure incurred there against was being kept in separate accounts. An unspent amount of Rs.3.27 crore was lying in these accounts as on March 2001. The University while working out the closing balances of the years 1996-97 to 2000-2001 had not depicted these unspent balances in the annual accounts of the University resulting in claiming excess grant to the extent of Rs.3.27 crore.

6.1.4.4 *Non-preparation of balance sheet*

Due to non-preparation of balance sheets true financial position was not depicted.

Under the Punjabi University Act 1961, the University was required to prepare the annual accounts consisting of receipt and payment accounts, balance sheet and to submit it to the Senate and State Government. The statements showing income and expenditure were prepared each year. However, mandatory balance sheets for which there was no relaxation, showing assets and liabilities were never prepared to depict the true financial position. It was stated (August 2001) that the preparation of balance sheet was not feasible due to non evaluation of assets at belated stage. The reply was not tenable as it was for the Syndicate to appoint some Committee for valuation of the assets and to adopt the value of each asset (on ground balances) and start action to prepare the balance sheet.

6.1.4.5 *Non-adjustment of outstanding temporary advances*

Non-adjustment of temporary advances for Rs.5.50 crore.

Temporary advances of Rs.5.50 crore paid to Building Fund (Rs.2.18 crore), Conduct of Examinations (Rs.1.26 crore) and other accounts (Rs.2.06 crore) were outstanding for adjustment as on 2000-2001. Non-adjustment of temporary advances outstanding since 1965-66 to relevant head of account according to expenditure incurred thereagainst would not depict the true picture of accounts of the University and would encourage non-rendering of accounts by the recipients. On the omission having been pointed out, it was stated (March 2001) that special efforts were being made to adjust the outstanding temporary advances.

6.1.5 Wasteful expenditure

6.1.5.1 Under utilization of the services of teaching staff

Non-adherence to conditions, the services of staff remained underutilized to the extent of 25 per cent.

The pay scales of the teaching staff of the Universities and colleges were revised by UGC with effect from January 1996 according to which it was mandatory for the University teaching staff to observe 180 actual teaching days. Test-check of the records revealed that teaching days observed during the last three years ranged between 125 to 147.

Thus due to non-adherence of the condition, services of the teaching staff remained under utilised to the extent of 25 per cent (on average) in a year and resulted in wasteful expenditure of Rs.7.62 crore during 1998-2001. In reply the University intimated (August 2001) that the matter for adoption of 180 teaching days has been taken up with the State Government.

6.1.5.2 Programmes produced found unworthy of telecast

Of 69 programmes none of the programme produced was found worthy telecasting resulting entire expenditure of Rs. 1.07 crore wasteful.

An Audio Visual Research Centre (AVRC) was established and equipments worth Rs. 38.44 lakh were installed in 1989 with the object of producing two audio visual programmes per month for UGC for countrywide class room project. Thus during the span of 11 years viz. upto December 2000 (on which an expenditure of Rs. 1.07 crore after excluding cost of equipment had been incurred) there was a schedule of producing 264 programmes against which only 69 programmes were produced resulting in short production of 195 programmes. Scrutiny further revealed that out of 69 programmes, 30 programmes (43 per cent) involving expenditure of Rs.46.52 lakh (proportionately) were rejected by the review committee of the UGC on the grounds that these lacked in terms of research, proper script, treatment and structure including production elements being of poor quality. Further, no programme was found worthy of telecast resulting in wasteful expenditure of Rs. 1.07 crore. On being pointed out it was reported (March 2001) that most of equipments purchased got outdated due to optimum use. This was contrary to the facts as there was a shortfall in production of 195 programmes.

6.1.5.3 Non-installation of scientific equipments worth Rs.12.06 lakh

Non-installation of scientific equipments valuing Rs.12.06 lakh deprived of intended benefits

Biotechnology Department purchased equipment worth Rs.12.06 lakh** during March 1991 to May 1997 for carrying out day-to-day experiments. It had, however, been noticed that these equipments were not installed (August 2001) thus defeating the very purpose of their purchase. On ascertaining the reasons for non-installation, it was reported that these could not be installed due to non-availability of proper and adequate space in the department. The reply was not tenable as it was for the University to plan the space before going in for purchase of these equipments.

** Anaerobic Hood Rs.1.18 lakh; Baby Boiler Rs.0.86 lakh; Incubator Rs.4.61 lakh; Deep Freezer Rs.3.00 lakh; Auto Claves Rs.1.27 lakh; and Laminar Flow Bench Rs.1.14 lakh.

6.1.5.4 Incomplete/Abandoned projects

Incomplete/ abandoned Projects resulted in wasteful expenditure of Rs.7.29 lakh

(i) UGC provided financial assistance of Rs.4.73 lakh for "Development of continuous system for the removal of heavy metals from the Industrial affluent" scheduled for completion by November 2000. After incurring an expenditure of Rs.4.25 lakh upto March 2000, the project was still lying incomplete as the Principal Investigator had left India in May 2000 without submitting the results of the research resulting in wasteful expenditure.

(ii) UGC provided Rs.3.38 lakh (October 1993) for undertaking a research project "Isolation immobilization and application of Bacterial lactins" by the Head of Department of Biotechnology scheduled for completion by September 1998 but the project was still lying abandoned/incomplete even after incurring expenditure of Rs.3.04 lakhs as of March 2000. This resulted in wasteful expenditure of Rs.3.04 lakh. On enquiring the reasons for incompletion, it was intimated that the project was abandoned as the Head of Department left the University in May 2000 for abroad.

6.1.6 Non-utilization of UGC grants

Non-utlisation of UGC grants, of Rs.72.26 lakh defeated the very purpose of grants.

Grants received from the UGC were to be utilised in the same financial year but in any case not later than six months from the date of receipt of demand draft from the UGC. Further, the grants were to be spent for the purpose for which these were sanctioned.

(i) Out of allotment of Rs.45 lakh for strengthening of the Infrastructure of the Department of Physics, Rs.37 lakh was released in March 1998. The funds were to be utilised within six months. It was, however, seen that only Rs.6.69 lakh were spent upto 31st March 2000 leaving an unspent balance of Rs.30.31 lakh (82 per cent).

(ii) Further for implementing the special assistance programme in the department of Physics, financial assistance of Rs.56.75 lakh was approved, of which Rs.44.15 lakh were released in March 1998 with the condition that in case the University failed to implement the approved scheme within six months, the approval would be considered as lapsed. The University spent only Rs.2.20 lakh during 1998-2000 resulting in non-utilization of grant to the extent of Rs.41.95 lakh (95 per cent).

On ascertaining the reasons for non-utilization, it was stated (August 2001) that the equipments could not be purchased due to revision of rates of foreign currency and that fresh quotations have been called for and steps for getting the priorities changed from UGC were being taken. The reasons were not cogent as the approvals had lapsed after the expiry of six months period resulting in non-utilisation of grants of Rs.72.26 lakh.

6.1.7 Recurring loss on the supply of power in University campus

Single point electricity connection for the entire University campus (operative from November 1998) was sanctioned by the Punjab State Electricity Board (PSEB) and according to tariff rates, the first 300 units were charged at concessional rates. It was noticed in audit that the University is issuing bimonthly bills for power consumption to the staff residing in the University campus and allowing concessional rate on every first 300 units to every connection resulting in incurring of loss. Between November 1998 to December 2000, the University had suffered a loss of Rs.10.63 lakh on this account.

On being pointed out in audit it was replied that this was the policy of the PSEB to provide single point domestic connection and that higher rates could not be charged from the campus consumers. Reply was not tenable as the University should not have to bear the recurring loss on account of consumption by campus consumers.

6.1.8 Local purchases

Splitting of purchase orders had resulted into irregular expenditure of Rs. 3.36 crore.

As per rules, supplies not exceeding Rs.50 thousand shall be obtained at lowest rates of quotations after calling for competitive rates.

During the period during 1997-98 to 2000-2001, an expenditure of Rs.3.36 crore was incurred on local purchases. Year-wise details were as under:

(Rupees in crore)

Year	Amount
1997-98	0.65
1998-99	0.71
1999-2000	1.06
2000-2001	0.94
Total	**3.36**

It was noticed that for the above purchases quotations were never called for rather the purchases were being made in piece meal by splitting up the purchase orders to keep it below Rs.50,000. Further, it was also seen that most of the purchases say above Rs.49,000 were made on every occasion from particular specified shops. On being pointed out in audit the Executive Engineer admitted the facts and ensured compliance in future.

6.1.9 Monitoring and evaluation

Though the University was functioning since 1962, there was no system of monitoring and evaluation of activities of the University to judge the impact of implementation of the various programmes. As such no evaluation had ever been conducted either by the State Government or by any outside agency.

The material was developed into review for consideration of Government and the same was demi-officially forwarded to the Secretary to the Government for reply within 6 weeks. The matter was followed up with reminder to the Secretary on 5th July 2001. However, inspite of such efforts, no reply was received from the Secretary (November 2001).

SECTION 'B'-AUDIT PARAGRAPHS

Agriculture Department

6.2 Loss due to unjustified investment of GPF/CPF money

Punjab Agricultural University investment of Rs. 4 crore in PUNWIRE in violation of Government instructions resulting in loss of the entire investment and interest of Rs. 2.11 crore.

As per provisions of GPF/CPF Act, 1925 and statute and regulation framed under rule 31 (e) of the Haryana & Punjab Agriculture University Act, 1970, the Board of Management is competent to constitute, regulate the funds of the employees or the investment thereof for their benefits. The State Government further directed (March 1996) that investment of the surplus funds may either be made in fixed deposits, certificate of deposits in commercial banks or as a loan to other public sector enterprises of the State Government.

It was however, noticed (January 2001) that in disregard to the instructions the Investment Committee of Punjab Agricultural University (PAU) Ludhiana decided (May, July and November 1998) with the approval of Vice-Chancellor to invest Rs.4 crore ((Rs. 1.40 crore (GPF), Rs. 1.50 crore (CPF) and Rs. 1.10 crore (Pension Fund)) in fixed deposits for three years with PUNWIRE @ 15 per cent of interest compounded monthly.

On pointing out the unjustified investment (January 2001) the University stated that the investments in PUNWIRE were made after considering the profits of the company for the years 1992-93 to 1996-97, the projected profit profiles of the company from 1997-98 to 1999-2000; and to earn highest rate of interest. It was further stated that a notice has been sent to Sh. M.S Bawa liquidator of M/s Punjab Wireless System Limited Sector-26 Chandigarh during September 2000 alongwith a legal notice dated November 2000 through the Advocate of Hon'ble Punjab and Haryana High Court Chandigarh, for the recovery of Rs. 4 crore alongwith interest of Rs. 2.11 crore upto the date of maturity (November 2001).

The reply of the University was not tenable as investment in the PUNWIRE was not in consonance with the instructions of the Government as it ceased to be a Public Sector Undertaking of the State Government since 1993. Moreover, the sales of the company recorded a steep fall and it incurred heavy losses and ran into financial crisis due to heavy debt in consequence thereof the company was put under liquidation (August 2000) after the appointment of liquidator (July 2000).

Thus, the investment made by the University in a company (ceased to be Public Sector Undertaking since 1993) was contrary to the instructions of the Government resulting remote chances of recovery of Rs. 6.11 crore (Principal amount Rs. 4 crore and interest Rs. 2.11 crore). The PAU thus in trying to get the highest return put the GPF/CPF money of the employees at great risk.

The above matter was referred to the Comptroller, PAU Ludhiana (March 2001) who intimated (June 2001) that fresh claim with the permanent Liquidator had been lodged (May 2001). The matter was developed into a draft audit paragraph for consideration of the Government and same was forwarded to the Secretary, Agricultural Department (March 2001) for reply within six weeks. Reply is still awaited (November 2001).

Industries Department

6.3 Loss due to Injudicious Investment

Injudicious investment of Rs.1.65 crore in PUNWIRE in disregard to Government instructions results in loss of investment Rs.97 lakh alongwith interest and penal interest of Rs.52.53 lakh.

State Government allowed (March 1996) investment of surplus funds by Public Sector Undertakings, Boards, Corporations and Government Departments either in fixed deposits, certificates of deposits or as a loan to other public sector enterprises of the State Government. The Governing Council of Research and Development Centre for Bicycle and Sewing Machines, Ludhiana (Centre) desired (August 1997) to invest their funds at a maximum rate of interest. The Director-cum-Chairman of the Centre on recommendation of the Governing Council decided (October 1997) to invest the funds with Punjab Wireless Systems Ltd. (PUNWIRE) in view of the good health of the company having Punjab Government share of 42 per cent and higher rate of interest. Despite the fact that PUNWIRE had ceased to be a Public Sector Enterprise from December 1993, the Centre invested Rs.1.65 crore (Rs.1.15 crore : November 1997 and Rs.0.50 crore : January 1998) for a period of six months at the rate of 16.5 percent per annum after execution of agreements/pronote*. The agreement provided that in the event of non payment of loan and interest, penal interest at the rate of 2 per cent per annum would be liable on the defaulted amount for the defaulted period.

Against the above investment of Rs.1.65 crore, the PUNWIRE re-paid Rs.85.03 lakh (Principal amount Rs.68 lakh and interest Rs.17.03 lakh due up to April 1999). Thereafter the PUNWIRE defaulted in repayment of balance

* Pronote denotes promissory note for repayment of loan along with interest on demand.

amount of Rs.97 lakh (principal) along with interest and penal interest. PUNWIRE has now gone into liquidation and M/s Punjab Wireless system Ltd. was appointed (July 2000) as liquidator. The Centre took up (August 2000) the matter with the liquidator for the recovery of the outstanding amount, but no reply has been received. As on June 2001, Rs.1.51 crore (principal Rs.97 lakh; interest Rs.46.08 lakh and penal interest Rs.6.45 lakh) were still outstanding.

The above matter was referred to the Director of Industries Punjab in March 2001. No response has been received so far (August 2001). The Research and Development Centre, however, intimated (June 2001) that efforts were on to recover the due amount by pursuing the case with the official liquidator but nothing fruitful had been achieved till date.

The material was developed into a draft audit paragraph was forwarded to the Secretary to the Government for reply within 6 weeks. The matter was followed up with reminders to the Secretary on (August 2001). Reply is still awaited (November 2001).

Technical Education and Industrial Training Department

6.4 Excess payment of Interest

Excess payment of Interest Rs. 50.85 lakh on solatium of enhanced compensation.

Section 23 (2) of the Land Acquisition Act, 1894 stipulates that in addition to the market value of the land as provided, the court shall in every case award thirty percent as solatium on such market value in consideration of the compulsory nature of the acquisition. The Hon'ble Supreme Court of India in a Civil Appeal No. 2872 of 1996 (arising out of SLP (c) No. 15864 of 1993) decided in January 1996 that Section 28 does not comprehend payment of interest on solatium when it expressly mentions payment of interest on compensation under Section 28 referable to Section 23(I) of the Act. [JT 1996 (2) SC 240].

Test check of the records of Shaheed Bhagat Singh College of Engineering and Technology, Ferozepur (January 2001) revealed that notification under Section 4 and 6 of the Land Acquisition Act, 1894 was made by the Sub Divisional Officer-cum-Land Acquisition Officer, Ferozepur during December 1993 for acquiring 786 Kanal 2 Marla land in District Ferozepur. The LAO announced the award of compensation at the rate of Rs.1,20,000 per acre for land within one acre on GT Road and Rs.1,00,000 per acre for land beyond one acre from GT Road during June, 1995. Aggrieved with the low rate of compensation the parties went in appeal to the Additional District

Judge Ferozepur in August, 1995. The case was decided by the Additional District Judge, Ferozepur during September, 1998 and the compensation was enhanced to Rs.3,50,000 per killa* for land adjoining to the main road and Rs.3,30,000 per killa for land at the back side beyond one killa from the main road. The Judge decided that the claimants were also entitled to solatium at the rate of 30 percent on the enhanced compensation with interest at the rate of 15 percent per annum on the enhanced compensation only from the date of notification under Section 4 of the Land Acquisition Act till the date of realization.

Scrutiny of the statement of compensation payable to the land owners prepared by the S.D.M. Ferozepur and sent to the Director, Technical Education and Industrial Training Department, Chandigarh during February 1999 revealed that the enhanced compensation of Rs. 2.26 crore included the 30 per cent Solatium amounting to Rs. 67.80 lakh. It was observed that interest of Rs.50.85 lakh @ 15 percent per annum from February 1994 to February 1999 was also paid on the Solatium amounting to Rs.67.80 lakh. This had resulted in over payment of interest amounting to Rs.50.85 lakh (15 percent per annum on Rs.67.80 lakh for 5 years).

On being pointed out in audit (January 2001), SDO cum LAO Ferozepur however, intimated (April 2001) that recovery of Rs.1.24 lakh had been made and action for recovery of balance amount was going on.

The above matter was referred to Principal Shaheed Bhagat Singh College of Engineering and Technology Ferozepur in February 2001. No response was received from him. The matter was developed into a draft audit paragraph for consideration of Government and the same was forwarded to the Secretary to the Government of Punjab Technical Education and Industrial Training department for reply within 6 weeks. No reply has been received so far (November 2001).

6.5 Financial assistance to local bodies and others

Autonomous bodies and authorities are set up generally to discharge non-commercial functions of public utility services. These bodies/authorities receive substantial financial assistance from the State government. The Government also provides substantial financial assistance to other institutions such as those registered under the State Co-operative Societies Act, Companies Act, 1956 etc. to implement certain programmes of the State Government.

During 2000-2001, financial assistance of Rs. 357.39 crore (3.05 per cent of the total revenue expenditure of Rs. 11712.83 crore) was paid to the various autonomous bodies and other institutions as detailed below:

* Killa is equal to 8 Kanals and is commonly known in Punjab for measurement of land.

Sr. No.	Name of Institution	Amount of assistance paid (Rupees in crore)
1.	Universities and Educational Institutions	241.72
2.	Other Institutions	95.38
3.	Panchayati Raj institutions	16.31
4.	Municipalities	3.98
	Total	357.39

6.5.1 Delay in furnishing utilisation Certificates

The financial rules require that where grants are given for specific purposes, certificates of utilisation should be obtained by the department from the grantees and after verification, these should be forwarded to the Accountant General within one year from the date of sanction of grants unless specified otherwise.

Of the 867 utilisation certificates due in respect of grants aggregating to Rs.141.15 crore, paid during the period ending 31 March 2000, only 53 utilisation certificates for Rs. 35.37 crore were furnished by various departments and 814 utilisation certificates for an aggregate amount of Rs. 105.78 crore were in arrears as of May 2001. The department-wise break up of outstanding utilisation certificates was as under:

Sr. No.	Department/ Bodies	Outstanding for more than 5 years		Outstanding for less than 5 years		Total	
		No. of certificates	*Amount (Rupees in crore)*	*No. of certificates*	*Amount (Rupees in crore)*	*No. of certificates*	*Amount (Rupees in crore)*
1.	Health and Family Welfare	221	3.46	28	69.47	249	72.93
2.	Animal Husbandry	197	3.24	-	-	197	3.24
3.	Rural Development	180	9.28	-	-	180	9.28
4.	Public Works Department (PH. Branch)	57	4.01	-	-	57	4.01
5.	Agriculture	70	13.36	-	-	70	13.36
6.	Social Welfare	58	2.90	-	-	58	2.90
7.	General Administration	3	0.06	-	-	3	0.06
	Total	**786**	**36.31**	**28**	**69.47**	**814**	**105.78**

The above table shows that the Departmental Heads took little interest in ensuring that the Grant in Aid given by them are properly utilised as they did not obtain the utilisation certificates for more than 5 years. It is essential that Government take urgent steps to get the utilisation certificates and investigate the reasons for delay.

6.5.2 Delay in submission of accounts

The audit of accounts of Punjab Scheduled Caste land Development and Finance Corporation, Chandigarh and Punjab Khadi and Village Industries Board, Chandigarh for the years 1998-99 and 1999-2000 were not audited due to non-receipt of Annual Accounts from these Corporations.

CHAPTER – VII

CHAPTER - VII

COMMERCIAL ACTIVITIES

AUDIT PARAGRAPHS

Transport Department

7.1 Material Management and inventory control of Punjab Roadways

7.1.1 Introductory

The Punjab Roadways (Undertaking) was established in May 1948 as a departmental quasi-commercial Undertaking in the State with the objective of providing road transport to the public in an economic and efficient manner. The Undertaking is headed by the Director, State Transport, Punjab (DST) assisted by a Chief Store Purchase Officer (CSPO), 3 Divisional Managers (DMs) and 18 General Managers (GMs), each heading a depot. The Directorate office places the orders and the Divisional offices receive the stores except tyres, tubes and flaps. The accounts of the undertaking were in arrear from 1994-95 onwards. The undertaking was running into losses and accumulated losses as on 31 March 1994 were to the tune of Rs. 300.26 crore.

The material management and inventory control of the undertaking for 5 years ending March 2001 was examined on the basis of test check of records in the offices of the DST, 3 DM# and 8 Depots* (out of 18 depots) conducted during October 2000 to March 2001.

7.1.2 Existing procurement system

The Undertaking had framed a calendar for the procurement of spares/stock from 1996-97 to ensure regular placement of orders so as to avoid "Stock-out" position and to maintain minimum level of stock. In order to meet the requirements of store purchase agency, the purchases are made from the firms on rate contract with Association of State Road Transport Undertakings (ASRTU), Director General Supply & Disposal (DGS&D), the Controller of

Chandigarh, Ferozepur and Jalandhar

* Amritsar-II, Chandigarh, Ferozepur, Hoshiarpur, Jalandhar-I, Jalandhar-II, Ludhiana and Ropar

stores and from the original manufacturers. For this purpose High Level Purchase Committee headed by the Secretary Transport Department and Standing Purchase Committee headed by the Director, State Transport have been constituted.

7.1.3 Extra expenditure on purchases

7.1.3.1 Payment of sales tax

Non-observance of provisions of Sales Tax Act resulted in avoidable payment of Rs.92.85 lakh.

Under the provisions of Sales Tax Act, supply to Government Departments attracts sales tax at four per cent against 'D' Form. In 7 depots, sales tax at the rate of 8 per cent was being paid. It was noticed that on the supply of 16347.9 kilolitres HSD received between October 1999 and January 2001 in 7 depots, sales tax was levied/paid at 8 per cent involving an extra expenditure of Rs. 92.85 lakh. Only one depot viz. Hoshiarpur took up (June 2000) the matter for the refund of excess sales tax charged amounting to Rs. 9.09 lakh but the supplier (July 2000) indicated his inability to refund sales tax at such a belated stage. He, however, started charging sales tax at 4 per cent. Thus, non observance of the provisions of the Act resulted in avoidable payment of sales tax amounting to Rs.92.85 lakh.

7.1.3.2 Purchase of tyres

Non-availing of DGS&D rates resulted into extra expenditure of Rs.18.57 lakh.

Rules provide that all requirements would be met from store purchase agency of rate contract of DGS&D or Controller of Stores. Contrary to above, it was seen that on the basis of quotations, DST procured 6189 tyres for Rs.3.16 crore from three firms during 1999-2000 at the rate of Rs.5100 per tyre excluding sales tax. Audit scrutiny, however, revealed that these firms were on rate contract with DGS&D and had supplied tyres at the rate of Rs.4800 per tyre excluding sales tax during the same period to the Transport Commissioner, Haryana. Non-availing of DGS & D rates resulted into extra expenditure of Rs.18.57 lakh to the Undertaking.

Reasons for non-availing of DGS&D rates called for (April 2001) were still awaited (November 2001).

7.1.4. Non-levying of liquidated damages

Non-levy of liquidated damages on delayed supplies resulted into loss of Rs.11.60 lakh.

General terms and conditions of rate contracts entered into by the ASRTU with various suppliers of stores and spares provide for levy of liquidated damages in the event of late supplies. Liquidated damages equivalent to 2 per cent of the price of the stores delivered late each month or part thereof subject to maximum of 10 per cent of the value are to be paid by the supplier for late supplies. Test check of records of 2 Divisional Offices (Jalandhar and Ferozepur) revealed that against supplies valuing Rs.12.71 crore (Rs.6.64 crore: Jalandhar; and Rs.6.07 crore : Ferozepur) received during 1997-98 to 1999-2000, stores valuing Rs.2.08 crore (Rs.1.22 crore : Jalandhar, Rs.0.86 crore: Ferozepur) were received after delay ranging between 31 and 430 days. Liquidated damages amounting to Rs.11.60 lakh were not claimed. The department accepted that liquidated damages were not levied on the ground that the firms would have charged interest on delayed payments in case liquidated damages were levied. The reply was not tenable as the department had not lodged any claim against the firms.

7.1.5 Local purchases

The table given below gives the total expenditure incurred on the procurement of stores/spares (excluding tyres, tubes, flaps, oil and lubricants) vis-a-vis the expenditure on local purchases made in 8 depots during the years 1995-96 to 1999-2000.

Year	Total purchase	Local purchase	Percentage of local purchase to total purchase
	(Rupees in lakh)		
1995-96	567.72	140.64	25
1996-97	607.38	163.82	27
1997-98	617.68	143.96	23
1998-99	417.90	182.61	44
1999-2000	454.32	192.02	42
Total	**2665.00**	**823.05**	

High incidence of local purchases due to non-observance of procurement calendar etc.

(i)It is observed from the above table that the percentage of local purchase to total purchases increased from 23 per cent in 1997-98 to 42 per cent in 1999-2000. While the Undertaking was unable to give the reasons for increase in proportion of local purchase, the audit observed that local purchases were due to non-observance of procurement calendar and non-inclusion of minimum stock levels while estimating the requirements. The department while admitting the audit point stated (June 2001) that increase in expenditure on local purchases was due to hike in prices of spares and depots made local purchases due to non-supply of adequate quantity of spares by the Divisions. The reply was not tenable as the department did not observe procurement calendar.

(ii)Analysis of rates of 25 items purchased locally during 1999-2000 in Chandigarh depot with the rates of rate contract firms revealed that the department suffered a loss of Rs. 1.42 lakh during the period on these items.

Local purchase of Rs.1.97 crore awaits regularisation.

(iii)It was further noticed that out of the total local purchase of Rs.8.23 crore during the period from 1995-96 to 1999-2000, purchases valuing Rs.1.97 crore had not even been regularised by the competent authority.

7.1.6 Inventory control

DST had laid down (December 1992) the minimum and maximum level of stock as 1 month and 3 months consumption for Divisional Stores and maximum of 1 month in respect of each depot. Value of the stock of spares and batteries held by 3 divisional offices and 8 depots during 1995-96 to 1999-2000 excluding obsolete and short/damaged parts was as under:

Non-observance of norms resulted into excess holding of stock at divisional and depot levels.

Year	Consumption	Closing stock	Closing stock in terms of months consumption		
Divisional stores	**(Rupees in lakh)**		**Average**	**Maximum**	**Minimum**
1995-96	961.19	285.54	3.56	5.13 (Ferozepur)	2.83 (Chandigarh)
1996-97	964.94	322.13	4.00	5.21 (Ferozepur)	3.11 (Jalandhar)
1997-98	1100.63	424.96	4.61	5.78 (Ferozepur)	3.87 (Jalandhar)
1998-99	572.39	198.20	4.16	5.82 (Ferozepur)	2.71 (Jalandhar)
1999-2000	630.97	130.94	2.50	3.14 (Ferozepur)	1.70 (Jalandhar)
Depot stores					
1995-96	560.41	123.91	2.65	3.98 (Jalandhar-I)	1.58 (Chandigarh)
1996-97	565.06	155.54	3.30	4.62 (Ropar)	2.20 (Jalandhar-II)
1997-98	602.32	192.55	3.84	5.80 (Ropar)	2.97 (Jalandhar-II)
1998-1999	481.62	146.50	3.65	6.18 (Jalandhar-I)	1.91 (Ludhiana)
1999-2000	502.44	132.30	3.16	6.60 (Jalandhar-I)	1.22 (Ludhiana)

Thus, the closing stock in terms of months consumption in respect of divisional stores during the five years ending March 2000 varied from 1.70 months (Jalandhar division in 1999-2000) to 5.82 months (Ferozepur division in 1998-99) and from 1.22 months (Ludhiana depot in 1999-2000) to 6.60 months (Jalandhar I depot in 1999-2000) in respect of depot stores which was contrary to the prescribed norms. The Undertaking had not analysed the reasons for excess holding of stock resulting in blocking of Government money.

7.1.7 Excess consumption of stores

(i) Lubricants

Excess consumption of lubricants on the basis of highest KMPL achieved in a depot resulted into loss of Rs.2.06 crore

The Undertaking had not fixed any norms for consumption of engine oil, gear oil and brake oil for its TATA and Leyland vehicles.

The table below indicates the maximum and minimum distance covered during 1995-96 to 1999-2000 per litre of lubricants in 2 TATA depots (Amritsar-II and Hoshiarpur)and 6 Leyland depots (Chandigarh, Ferozepur, Jalandhar-I, Jalandhar-II Ludhiana, and Ropar) test checked.

		1995-96		1996-97		1997-98		1998-99		1999-2000	
		TATA	LL	TATA	LL	TATA	LL	TATA	LL	TATA	LL
Engine oil	**Max**	486	443	506	421	670	500	576	687	545	562
	Min	196	288	175	301	207	344	284	384	331	386
Gear oil	**Max**	2186	2099	1705	1990	1790	1869	2981	2295	3209	2120
	Min	1619	661	1132	634	1754	767	2143	1136	2303	1079
Brake oil	**Max**	4172	@	4297	@	4507	@	7016	@	6135	@
	Min	4089	@	4107	@	4193	@	4988	@	5675	@

@ *Break oil is not used in these models*

The above table revealed that there were wide variations in different depots in the distance covered per litre of lubricants. By assuming the average of maximum distance covered per litre of lubricants in all the years as a norm, there was excess consumption of 352462 litres engine oil, 143289 litres gear oil and 1927 litres brake oil valued at Rs.2.06 crore. Reasons for wide variation had not been analysed by the management so far (August 2001).

(ii) Major assemblies

Non-fixation of norms for major assemblies resulted into excess consumption valuing Rs.57.72 lakh.

The Undertaking had not fixed any norms for the consumption of major assemblies like Piston complete, Piston ring set, Cylinder liner, U.J.Cross, Axle shaft, Automiser, nosal and Fuel pump element etc. However, the Pepsu Road Transport Corporation (PRTC) had fixed (June 1994) the norms for these assemblies of Leyland and TATA vehicles. A comparison of actual consumption of 7 items of major assemblies in 8 depots during 1995-96 to 1999-2000 against the norms fixed by PRTC revealed that the Undertaking had consumed excess assemblies valuing Rs.57.72 lakh.

7.1.8 Short recovery of burnt engine oil

Non-fixation of norms for recovery of burnt engine oil resulted into short recovery to the extent of Rs.8.10 lakh.

Like-wise, no norms for recovery of burnt engine oil at the time of replacement of engine oil had been fixed. However, the Transport Commissioner of Uttar Pradesh had laid down (June 1970) that 80 per cent of the engine oil issued be recovered at the time of replacement of engine oil.

A test check of records of 8 depots for the years 1995-96 to 1999-2000 revealed that the recovery rate of burnt engine oil varied from 22.89 per cent (Ferozepur in 1997-98) to 80.11 per cent (Ropar in 1999-2000). As against the issue of 416417 litres of engine oil for replacement, only 214053 litres of burnt engine oil was recovered. Based on the norm fixed by the Transport Commissioner, Uttar Pradesh, there was short recovery of 119081 litres of burnt engine oil valuing Rs.8.10 lakh.

7.1.9 Disposal of scrap material

Rejection of competitive rates offered by MSTC resulted in undue stocking of stores valuing Rs.41.10 lakh.

The Undertaking entered into (February 1999) an agreement with the Metal Scrap and Trading Corporation (MSTC) (a Government of India Undertaking) for the disposal of its surplus/obsolete stores, equipments, miscellaneous article, and steel scrap etc. The agreement provided that the highest bid obtained by the MSTC would be approved by the Undertaking before disposal.

A test check of records in 8 depots revealed that the value of disposable material (except buses batteries and metal scrap) with the depots increased from Rs.28.05 lakh (March 1999) to Rs.41.10 lakh (March 2000). During 1999-2000, material valuing Rs.4.56 lakh only was disposed of because in most of the cases rates found reasonable and competitive (by the MSTC) were rejected (by the concerned depots) on the plea that the rates offered were less than the reserve prices. However, it was seen that the basis for fixation of reserve price by the depots was not realistic which may facilitate disposal of scrap material as the prevailing market trends viz. demand, rates of metal scrap etc. were not kept in view. This resulted in undue storage of stores valuing Rs.41.10 lakh beside expenditure on storage, watch and ward and loss due to further deterioration in the condition of stores with the passage of time.

7.1.10 Quality control

The proportion of samples got tested not commensurate with the volume of purchases.

In order to maintain good quality control, the general conditions of the rate-contracts entered into by the ASRTU provide that random samples be taken from the consignment and got tested either at the Central Institute of Road Transport or in a Government test house. It further provides that in case the test results were found unsatisfactory, the Undertaking concerned, without prejudice to its rights, would reject the entire consignment, purchase the material from elsewhere at the risk and cost of the supplier and in case this material was used, would levy penalty, based on the shortfall in specifications, if any.

Contrary to the above, it was noticed in audit that out of the material valuing Rs.40.41 crore (2484 consignments) procured in the divisional stores during 1995-96 to 1999-2000, only 3 samples of supply valuing Rs.1.19 lakh were drawn, which constituted a very negligible percentage. Out of these, one sample had failed as it did not conform to the requirements.

Thus, the proportion of samples got tested was not commensurate with the volume of purchases made by the Undertaking and quality control mechanism was not effectively implemented and quality of the stores purchased was not ensured.

7.1.11 System deficiencies

The Undertaking did not adhere to the procurement calendar for ensuring regular placement of orders to maintain minimum level of stock. Though norms for minimum and maximum level of stock at Divisional Stores were laid down, yet these were not followed. No separate Purchase Manual was prepared and no norms for consumption of major assemblies, gear oil, break oil, engine oil and recovery of burnt oil etc. had been fixed.

The above matter was referred to the Director in April 2001. The material was developed into a long draft paragraph for consideration of Government and the same was demi-officially forwarded to the Secretary to the Government for reply within six weeks. Reply of the Secretary was received in June 2001 and his reply incorporated where necessary.

Food and Supplies Department

7.2 Blockade of funds

Longer storage coupled with non-milling of paddy resulted in blockade of Rs. 42.47 lakh apart from cost of Rs. 5.16 lakh on storage.

According to the Custom milling policy of the State Government for the crop year 1997-98, procuring agencies were required to store a minimum of 20 per cent of paddy procured by them in each district in own custody. The responsibility for quality and quantity of the paddy stored in own custody was of the concerned staff of the procuring agency. The department issued (March 1998) instructions that paddy kept in own custody as well as in joint custody of the procuring agencies and millers should be got milled on priority in 50:50 ratio .

Audit scrutiny of records of District Food and Supplies Controller (DFSC) Moga revealed (September 2000) that the department procured and stored 7813.39 quintals of paddy (September-November 1997) in own custody at Nihal Singh Wala Centre for the crop year 1997-98. The department could not get the paddy milled on priority basis as per instructions which resulted in deterioration of quality due to longer storage. Thus, non-milling of paddy on priority and longer storage thereof resulted in blockade of Government money amounting to Rs. 42.47 lakh (calculated at the rate of Rs. 543.55 per quintal of paddy fixed by the Government of India) besides extra cost of storage of Rs. 5.16 lakh.

When pointed out (September 2000), the department stated (May 2001) that the paddy in own custody was to be given to the millers for custom milling after the complete milling of paddy already under joint custody of the millers but the paddy had deteriorated by this time and the millers did not accept the paddy for custom milling.

The reply was not tenable as the paddy in own custody and in joint custody with millers should have been milled on priority at 50:50 ratio as per instructions of March 1998. Disposal of paddy was still awaited (November 2001).

The above matter was referred to the Director, Food & Civil Supplies Department in February 2001. No response had been received. The material was developed into draft audit paragraph for consideration of the Government and the same was demi-officially forwarded (February 2001) to the Secretary to the State Government for reply within 6 weeks. No reply had been received (November 2001).

7.3 Loss of Government money

Delay in applying treatment for quality control measures coupled with non-despatch of 6864.25 qtls. of wheat in time resulted into loss of Rs.31.21 lakh.

To ensure proper preservation of wheat stocks and effective quality control to avoid huge losses on deterioration of quality, Food and Supplies Department issued instructions (June 1984) which made the procuring agency responsible for the maintenance of proper health of wheat stock. The department claimed to have trained sufficient staff for applying proper preservation techniques. Apart from prescribing the preservative and curative measures and the norms to be applied, the instructions reiterated (June 1989) that each godown should be visited at least once in a fortnight and the results be recorded in a register alongwith the condition of the grain with the percentage of moisture and infestation of insects.

Following norms for treatment of wheat stocks were to be followed strictly:

i)	Fumigant		Three times per annum
ii)	Semi fumigant	i) Heavy	Twice weekly for 2 weeks and thereafter once a week for two weeks.
		ii) Medium	Once a week for two weeks and once in two weeks thereafter.
		iii) Low	Once in two weeks.
iii)	Contact poison		Every 15 to 21 days.

Audit scrutiny of records of District Food and Supplies Controller (DFSC) Ludhiana revealed (December 2000) that during the crop year 1998-99, 35701.95 quintals of wheat was stored at Mullanpur Centre to which no treatment had been applied upto October 1999 as verified from the stock register. At the time of despatch of stock to Food Corporation of India (FCI) and arrival of wheat special in March 1999 no stock was lifted since it was infested. Only 520 quintals of stock was lifted in April 1999. It was only in November 1999 that the prescribed treatment was given and as a result thereof 28317.70 quintals of wheat could be despatched between December 1999 and January 2000 and remaining 6864.25 quintals of wheat worth Rs. 59.80 lakh was declared (November 2000) unfit for human consumption by the joint inspection teams of the Food and Supplies Department and the Food Corporation of India.

Out of the rejected stock of 6864.25 quintals, 6079.05 quintals procured at a cost of Rs.52.96 lakh was sold in open auction (March/April 2001) for Rs.28.59 lakh and the remaining 785.20 quintals worth Rs. 6.84 lakh was found short. Thus, improper preservation of wheat stocks resulted in delay in despatch of wheat to FCI and declaration of 6864.25 quintals of wheat as unfit for human consumption. This resulted in loss of Rs 31.21 lakh to the department.

On being pointed out in audit (December 2000/March 2001), the department pleaded (May 2001) that the wheat stocks could not be cleared due to non-planning of sufficient wheat specials. The reply was not tenable as the department could not load the specials (March/April 1999) because of living infestation and non-providing of prescribed preservative and curative methods. However, the department stated (May 2001) that action against the responsible field staff was being taken. Final outcome was awaited (November 2001).

The above matter was referred to the Director Food and Supplies Department in March, 2001. No response was received. The material was developed into draft audit paragraph for consideration of Government and the same was demi-officially forwarded (August 2001) to the Secretary to the State Government for reply within 6 weeks. No reply had been received (November 2001).

Nand Lal

(NAND LAL)
Accountant General (Audit), Punjab

CHANDIGARH
The 13 FEB 2002

Countersigned

V. K. Shunglu

(V.K. SHUNGLU)
Comptroller and Auditor General of India

NEW DELHI
The 19 FEB 2002

APPENDICES

Appendix-I
(Refers to paragraph 1.1 and 1.12.2 page 1 and 20)

Part A. Government Accounts

I. Structure: The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.

Part I: Consolidated Fund

All receipts of the State Government from revenues, loans and recoveries of loans go into the Consolidated Fund of the State, constituted under Article 266(1) of the Constitution of India. All expenditure of the Government is incurred from this Fund from which no amount can be withdrawn without authorization from the State Legislature. This part consists of two main divisions, namely, Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital Account (Capital Receipts, Capital Expenditure, Public Debt and Loans, etc.).

Part II. Contingency Fund

The Contingency Fund created under Article 267(2) of the Constitution of India is in the nature of an imprest placed at the disposal of the Governor of the State to meet urgent unforeseen expenditure pending authorization from the State Legislature. Approval of the State Legislature is subsequently obtained for such expenditure and for transfer of equivalent amount from the Consolidated Fund to Contingency Fund. The corpus of this Fund authorized by the Legislature during the year was Rs.25 crore.

Part III. Public Account

Receipts and disbursements in respect of small savings, provident funds, deposits, reserve funds, suspense, remittances, etc., which do not form part of the Consolidated Fund, are accounted for in Public Account and are not subject to vote by the State Legislature.

II. Form of Annual Accounts

The accounts of the State Government are prepared in two volumes *viz*., the Finance Accounts and the Appropriation Accounts. The Finance Accounts present the details of all transactions pertaining to both receipts and expenditure under appropriate classification in the Government accounts. The Appropriation Accounts, present the details of expenditure by the State Government *vis-à-vis* the amounts authorized by the State Legislature in the budget grants. Any expenditure in excess of the grants requires regularization by the Legislature.

Part B. List of Indices/ratios and basis for their calculation

(Refers to in paragraph 1.1 and 1.12.2 page 1 and 20)

Indices/ratios		Basis for calculation
	BCR	Revenue Receipts minus all Plan grants (under Major Head 1601-02,03,04) and Non-Plan revenue expenditure
Sustainability Balance from the current revenue	Capital Outlay	
Primary Deficit Interest Ratio		Capital expenditure as per Statement No 2 of the Finance Accounts
	Capital Receipts	
Capital Outlay Vs Capital receipts Total tax receipts Vs. GSDP State tax receipts Vs GSDP		Internal Loans (net of ways and means advances) + Net receipts from small savings, PF etc. + Repayments received of loans advanced by the State Government- Loans advanced by the State Government
Flexibility		As above
-Balance from current revenue	Capital Repayments	Disbursements under Major heads 6003 and 6004 minus repayments on account of Ways and Means Advances/Overdraft under both the major heads
-Capital repayments Vs Capital Borrowings	Capital Borrowings	Addition under Major Heads 6003 and 6004 minus addition on account of Ways and Means advances/overdraft under both the major heads
	State Tax Receipts	Statement No.11 of Finance Accounts
	Total Tax Receipts	State Tax receipts plus State's share of Union Taxes
Incomplete Projects - Total Tax Receipts Vs GSDP - Debt Vs GSDP		
Vulnerability -Revenue Deficit		Paragraph No 1.10.7.2 of the Audit Report
-Fiscal Deficit		-----------------do------------------
-Primary Deficit Vs Fiscal Deficit	Primary Deficit	Fiscal Deficit minus interest payments
Total outstanding guarantees including letters of comfort Vs Total revenue receipts of the Government	Outstanding guarantees	Exhibit IV
Assets Vs Liabilities	Revenue Receipts	Exhibit II
	Assets and Liabilities	Exhibit I
	Debt	Borrowings and other obligations at the end of the year (Statement No 4 of the Finance Accounts)

Appendix-II
(Refers to paragraph 1.10.2 page 14)

Details of loss making companies, investment by Government and accumulated losses

Serial No.	Name of Company	Investment upto 1999-2000 (Rupees in crore)	Accumulated loss (Rupees in crore)	Period upto which account finalised
1	Punjab State Seeds Corporation limited	4.51*	90.18	1999-2000
2.	Punjab Poultry Development Corporation limited	3.09*	4.03	1998-1999
3.	Punjab Dairy Development Corporation limited	4.80	2.05	1999-2000
4.	Punjab State Civil Supplies Corporation limited	3.73	134.04	1996-97
5.	Punjab State Tube well Corporation limited	125.92*	35.09	1996-97
6.	Punjab State Leather Development Corporation limited	3.42	2.05	1991-92
7.	Punjab Export Corporation limited	0.09*	0.27	1977-78
8.	Punjab State Hosiery and Knitwear Development Corporation limited	3.91	9.83	1994-95
9.	Punjab State Handloom and Textile Development Corporation limited	3.63	3.88	1991-92
10.	Punjab Films and News Corporation limited	1.51	1.90	1992-93
11.	Punjab Tourism Development Corporation limited	6.41*	4.37	1995-96
12.	Punjab Agro Industrial and Horticulture Development Corporation limited	45.46	13.90	1999-2000
13.	Punjab State Industrial Development Corporation Limited	78.22	33.04	1999-2000
14.	Punjab State Forest Development Corporation Limited	0.25	0.53	1991.92
	Total	**284.95**	**335.16**	

* The figures have been adopted as per foot note on pages 213, 215, 217 and 219 of the Finance Accounts for the year 2000-2001.

APPENDIX - III

(Refers to paragraph 2.3.4 page 27)

Cases of unnecessary supplementary grants/appropriations

(Rupees in crore)

Sl.No.	Grant/appropriation	Amount of grant/appropriation			
		Original	Supplementary	Actual expenditure	Saving
Revenue-(Voted)					
1.	01-Agriculture and Forests	399.56	0.01	316.42	83.15
2.	02-Animal Husbandry and fisheries	137.70	5.99	117.64	26.05
3	03-Co-operation	47.14	8.89	45.02	11.01
4	04-Defence Service Welfare	12.22	1.83	11.28	2.77
5	05-Education	2059.77	96.03	1828.32	327.48
6.	07-Excise & Taxation	45.23	2.22	39.92	7.53
7.	11-Health and Family Welfare	765.14	20.39	641.75	143.78
8.	12-Home Affairs & Justice	958.44	42.81	944.41	56.84
9	14-Information & Publicity	13.80	0.03	10.81	3.02
10.	16-Labour & Employment	16.91	1.65	15.30	3.26
11	19-Planning	334.47	0.11	144.24	190.34
12	23-Rural Development	184.87	26.92	99.90	111.89
13	30-Vigilance	10.11	0.06	8.88	1.29
Revenue Charged					
14	06-Elections	0.01	0.01	-	0.02
15	12-Home Affairs & Justice	12.26	0.06	10.00	2.32
16	22-Revenue & Rehabilitation	0.21	0.04	0.05	0.20
Capital Voted					
17	02-Agriculture and Forests	3.15	0.03	-	3.18
18	03-Co-operation	28.16	19.70	8.63	39.23
19	11-Health & Public Welfare	-	7.00	-	7.00
20	21-Public Works	280.51	35.31	118.66	197.16
21	23-Rural Development & Panchayats	0.90	16.39	0.30	16.99
	Total	**5310.56**	**285.48**	**4361.53**	**1234.51**

APPENDIX - IV
(Refers to paragraph 2.3.4 page 27)

Excessive supplementary grants

(Rupees in crore)

Serial number	Grant/ appropriation	Amount of grant/appropriation				
		Original	Supple-mentary	Total	Actual expenditure	Saving
Revenue-(Voted)						
1.	17-Local Government Housing and Urban Development.	15.99	73.15	89.14	86.66	2.48
2.	22-Revenue & Rehabilitation	153.51	224.56	378.07	239.21	138.86
3.	26-State Legislature	6.57	1.33	7.90	7.41	0.49
Revenue (Charged)						
4.	12-Home Affairs and Justice	27.12	7.86	34.98	27.23	7.75
Capital (Voted)						
5.	10-General Administration	1.90	0.33	2.23	2.09	0.14
	Total	**205.09**	**307.23**	**512.32**	**362.60**	**149.72**

Appendix - V

(Refers to paragraph 2.3.4 page 27)

Grants where supplementary provision obtained proved insufficient by more than Rs.1 crore

Revenue Voted		(Amount in Crore)				
Sr.No.	**Grant**	**Original**	**Supplementary**	**Total**	**Expenditure**	**Excess**
1.	21-Public Works	548.79	34.32	583.11	712.64	129.53
Capital Voted						
2.	15-Irrigation & Power	561.11	187.90	749.01	968.81	219.80
	Total	1109.90	222.22	1332.12	1681.45	349.33

Appendix - VI

(Refers to paragraph 2.3.5 page 27)

Statement of various grants/appropriations indicating major head-wise/scheme wise expenditure where persistent savings in excess of one crore each and 20 *per cent* or more of the provisions

Sr. No.	Grant No.	Head of Account	Year								
			1998-99			1999-2000			2000-2001		
		Revenue Voted									
			Prov-ision.	Expen-diture	Saving (%age of saving)	Provi-sion	Expen-diture	Saving (%age of saving)	Provi-sion	Expen-diture	Saving % of saving
		Name of Grant	Rupees in Crore								
1.	**22 Revenue and Rehabilitation**	2245-Relief on account of Natural Calamities. (I) Gratuitous Relief	25.45	7.59	17.86 (70.17)	11.00	0.12	10.88 (98.90)	10.00	0.05	9.95 (99.50)
		(ii) Transfer to Reserve Funds and Deposit Accounts-Calamity Relief Fund	60.05	30.03	30.02 (50)	62.61	---	62.61 (100)	186.88	78.62	108.26 (57.93)

2.	**23-Rural Development and Panchayats**	(i) 2515-Other Rural Development Programme -Grant to Panchayati Raj Institutions recommended by 10th Finance Commission.	25.84	3.89	21.95 (84.94)	58.14	-	58.14 (100)	45.22	16.31	28.91 (63.93)
		(ii) Employment Assurance Scheme(CSS)	21.00	---	21.00 (100)	28.27	--	28.27 (100)	13.35	--	13.35 (100)
		(iii) Integrated Waste Land Development Project (CSS)	6.00		6.00 (100)	1.00	--	1.00 (100)	2.00	--	2.00 (100)
		(iv) 2505- Rural Employment Jawahar Rojgar Yojna (CSS).	10.72		10.72 (100)	13.97	3.00	10.97 (98.52)	7.01	--	7.01 (100)
3.	**24-Science Technology and Environment**	3425-Other Scientific Research. Harike Wet land Project.	2.33	0.31	2.02 (86.69)	2.00	-	2.00 (100)	1.98	0.63	1.35 (68.18)
4.	**25-Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes**	2225-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes. -Capital subsidy under bnk tie-up Loaning programme to below poverty line Scheduled Caste through Punjab Scheduled Castes land Development and Finance Corporation.	6.50	3.40	3.10 (47.69)	6.50	-	6.50 (100)	20.00	0.05	19.95 (99.75)
		2235-Social Security and Welfare Social Security to Girls Child Kanya Jagriti Jyoti Scheme	1.05	-	1.05 (100)	3.20	1.50	1.70 (53.12)	2.40	-	2.40 (100)
		2225-Welfare of Scheduled Castes, Schedule Tribes and Other Backward Classes Implementation of SCA Programme at District Headquarters (CSS).	8.50	-	8.50 (100)	8.50	0.16	8.34 (98.11)	3.40	-	3.40 (100)

		Funding of Economic Ventures/commercial Activities (CSS).	3.00	-	3.00 (100)	3.00	-	3.00 (100)	3.00	-	3.00 (100)
		Funding of Economic ventures/commercial activites for purchase of plots (CSS).	2.00	-	2.00 (100)	2.00	-	2.00 (100)	2.00	-	2.00 (100)
		Capital Voted									
5.	**12- Home Affairs and Justice**	4055 Capital Outlay on Police-Houses for Police Personal.	33.13	17.74	15.39 (46.40)	15.32	--	15.32 (100)	13.60	8.42	5.18 (38.08)
6.	**17-Local Government Housing and Urban Development**	4217-Capital Outlay on Urban Development (i) Prevention of Pollution of Sutlej River (CSS).	21.60	5.00	16.60 (78.85)	32.69	7.95	24.74 (75.68)	65.00	6.27	58.73 (90.35)
		(Ii) Assistance to Urban Slum Development Programme (CSS)	9.04	6.75	2.29 (25.33)	10.00	4.87	5.13 (51.30)	10.00	2.51	7.49 (74.90)
		(iii) Swarn Jayanti Shehri Rozgar Yozna (Plan).	5.00	-	5.00 (100)	15.00	-	15.00 (100)	5.00	1.22	3.78 (75.60)
		(iv) Swarn Jayanti Shehri Rozgar Yozna.(CSS).	15.00	-	15.00 (100)	15.00	-	15.00 (100)	15.00	-	15.00 (100)
		(v) HUDCO Aided Water supply and Severage Project. (Plan)	4.00	-	4.00 (100)	4.00	-	4.00 (100)	4.00	-	4.00 (100)
7.	**19-Planning**	5475-Capital Outlaty on other General Economic Services. Formulation of District Plan at Head Quarters.	254.90	67.02	187.88 (73.70)	191.52	115.79	75.73 (39.54)	115.56	79.39	36.17 (31.29)
8.	**24-Science Technology and Environment**	5425-Capital outlay on other Scientific Research Solar power Generation (CSS).	2.00	-	2.00 (100)	8.00	-	8.00 (100)	8.00	-	8.00 (100)

9.	**25-Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes**	4225-Capital outlay on welfare of Scheduled Castes, Schedule Tribes and Other Backward Classes. Share Capital Contribution to the Punjab Scheduled Castes Land Development & Finance Corporation (CSS).	9.60	2.39	7.21 (75.10)	4.80	0.24	4.56 (95)	2.40	-	2.40 (100)
		Total	**526.71**	**144.12**	**382.59**	**496.52**	**133.63**	**362.89**	**535.80**	**193.47**	**342.33**

APPENDIX -VII

(Refers to paragraph 2.3.6 page 28)

Statement showing Head and Sub Head-wise cases of significant and persistent excess over grants/ appropriations

S.No	Grant No. Head and Sub Head.	Amount of Excess (percentage of excess in brackets)								
		1998-1999			1999-2000			2000-2001		
		Provision	Expen-diture	Excess (%age)	Provision	Expen-diture	Excess (%age)	Provi-sion	Expen-diture	Excess (%age)
Revenue Voted		Rupees in crore.								
	21-Public Works									
1.	2059-Public Works -Suspense	3.70	131.73	128.03 (3460.27)	3.70	151.12	147.42 (3984.32)	3.70	169.04	165.34 (4468.64)
2.	2215-Water supply and sanitation -Suspense	9.13	38.67	29.54 (323.54)	9.13	35.45	26.32 (288.28)	9.13	66.55	57.42 (628.92)
3.	-Maintenance works	33.25	58.64	25.39 (76.06)	32.58	48.91	16.33 (50.12)	41.57	50.96	9.39 (22.58)
4.	3054-Roads and Bridges -Direction-Establishment charge transferred on pro rata basis	-	38.22	38.22	-	45.88	45.88	-	37.01	37.01
5.	-Suspense	7.00	33.75	26.75 (382.14)	7.00	39.31	32.31 (461.57)	7.00	24.45	17.45 (249.26)
6.	2515-Other Rural Development Programme -Suspense		13.01	13.01	Nil	15.62	15.62		8.96	8.96
	Total	**53.08**	**314.02**	**260.94**	**52.41**	**336.29**	**283.88**	**61.40**	**356.97**	**295.57**

APPENDIX - VIII

(Refers to paragraph 2.3.7 page 28)

Grants/Appropriations where the savings (more than Rs.1 crore in each case) exceeded 20 per cent of the total grant/appropriation

(Rupees in crore)

S.No.	Grant/appropriation Revenue (Voted)	Total grant	Expenditure	Saving	Percentage of saving
1.	01-Agriculture and Forests	399.56	316.41	83.15	20.81
2.	06-Elections	15.41	8.49	6.92	44.91
3.	10-General Administration	80.49	62.87	17.62	21.89
4.	13-Industries	54.32	28.79	25.53	46.99
5.	14-Information & Public Relation	13.83	10.81	3.02	21.83
6.	18-Personnel & Administrative	4.67	2.99	1.68	35.97
7.	19-Planning	334.58	144.24	190.34	56.88
8.	22-Revenue & Rehabilitation	378.07	239.21	138.86	36.72
9.	23-Rural Development & Panchayats	211.79	99.90	111.89	52.83
10.	24-Science and Technology	6.19	1.54	4.65	75.12
11.	25-Social Welfare	176.68	114.41	62.27	35.24
12.	27-Technical Edu. & Indus. Trg.	112.95	69.34	43.61	38.61
13.	28-Tourism & Cultural Affairs	37.81	3.87	33.94	89.76
Revenue Charged.					
14.	08-Finance	2931.21	2343.28	587.93	20.05
15.	21-Public Works	2.10	0.63	1.47	70.00
Capital (Voted)					
16.	01-Agriculture and Forests	65.12	22.53	42.59	65.40
17.	02-Animal Husbandry and Fisheries	3.18	-	3.18	100
18.	03-Co-operation	47.86	8.63	39.23	81.97
19.	05-Education	1.47	0.02	1.45	98.64
20.	11-Health & Family Welfare	7.00	-	7.00	100
21.	12-Home Affairs & Justice	34.98	27.23	7.75	22.15
22.	13-Industries	2.77	1.15	1.62	58.48
23.	17-Local Government, Housing and Urban Development	147.77	49.52	98.25	66.49
24.	18-Personnel and Administrative Reforms	3.00	-	3.00	100
25.	19-Planning	163.68	79.39	84.29	51.49
26.	21-Public Works	315.82	118.66	197.16	62.42

27.	22-Revenue and Rehabilitation	6.48	0.30	6.18	95.37
28.	23-Rural Development and Panchayats	17.29	0.30	16.99	98.26
29.	24-Science, Technology & Environment	22.79	6.86	15.93	69.89
30.	25-Social & Women Welfare & Welfare of SC & BC	14.80	-	14.80	100
31.	28-Tourism and Cultural Affairs	2.15	0.44	1.71	79.53
32.	29-Transport	8.10	5.93	2.17	26.79
Capital (Voted)					
33.	8-Finance	7104.45	5231.05	1873.40	26.37
	Total	**12728.37**	**8998.79**	**3729.58**	

APPENDIX - IX
(Refers to paragraph 2.3.8 page 28)

Cases of re-appropriation under which the expenditure finally showed excess over the balance provision

(Rupees in crore)

Sl. No.	Grant No.	Major head affecting the grant	Original	Supple-mentary	Re-appro-priation	Total grant	Expen-diture	Amount of excess after re-appropriation
1.	2	2403-Animal Husbandry Assistant to States for control of Animal Diseases (CSS)	1.25	-	(-)0.42	0.83	0.98	(+)0.15
2.	2	2403-Animal Husbandry Veterinary Service and Animal Health (Plan)	1.25	-	(-)0.42	0.83	0.98	(+)0.15
3.	5	2204-Sports & Youth Service National Service Schemes	0.95	-	(-)19	0.76	1.06	(+)0.30
4.	9	3456-Civil Supplies District Establishment	13.75	-	(-)1.44	12.31	12.46	(+)0.15
5.	23	2515-Other Rural Development Programme Creation of staff at District Headquarters (Plan).	0.45	-	(-)0.20	0.25	0.41	(+)0.16
6.	25	2225-Welfare of Scheduled Caste, Scheduled Tribe & Backward Classes. Scholarship for Post Matric students for Schedule Caste	8.50	-	(-)3.28	5.22	7.56	(+)2.34
7.	25	2235-Social Security and Welfare. Social Security to Girls Child Kanya Jagriti Jyoti Scheme	7.95	-	(-)6.35	1.60	3.00	(+)1.40
8.	25	2235-Social Security and Welfare Old Age Pension	19.99	-	(-)6.78	13.21	15.63	(+)2.42
9.	25	2235-Social Security and Welfare. Financial Assistance to Widows and Destitute Women	3.06	-	(-)2.04	1.02	2.63	(+)1.61
10.	25	2235-Social Security and Welfare. Financial Assistance to Dependent Children	0.85	-	(-)0.58	0.27	0.47	(+)0.20
11.	25	2235-Social Security & Welfare. Financial Assistance to Disabled persons	0.92	-	(-)0.64	0.28	0.54	(+)0.26
12.	25	2225-Welfare of Scheduled Cast and Scheduled Tribe. Removal of untouchability under programme for implementation of PCR Act, 1955 under plan.	0.47	-	(-)0.07	0.40	0.65	(+)0.25

Appendix - X
(Refers to paragraph 2.3.8 page 28)

Significant cases of major re-appropriation which were injudicious on account of non-utilisation

(Rupees in crore)

Sr. No	Grant No.	Major head affecting the grant	Original	Supple-mentary	Re-appro-priation	Total grant	Expen-diture	Amount of final Savings
1.	2	2403-Animal Husbandry. National Project for Cattle & Buffalo Development	10.80	-	(+) 5.00	15.80	3.42	(-) 12.38
2.	2	2403-Animal Husbandry Poultry Farms	2.51	0.15	(+) 0.04	2.70	2.35	(-) 0.35
3.	2	2405-Fisheries Assistance to Fish Farmers Agencies.	1.25	-	(+) 0.25	1.50	0.34	(-) 1.16
4.	3	2425-Co-operation. Direction & Administration Agricultural Credit Stabilisation	1.50	1.00	(+) 0.50	3.00	1.50	(-) 1.50
5.	3	6425-Loans for Co-operation. Loans to Sugarfed and Sugar Mills for one time settlement of Sugar Mills.	19.70	-	(+) 9.53	29.23	-	(-) 29.23
6.	3	4250-Capital Outlay on Other Social Services. Assistance under weaker section co-operatives to labourfed/Unions/Societies.	0.10	-	(+) 0.01	0.11	-	(-) 0.11
7.	3	6250-Loan for Other Social Services. Assistance under weaker section co-operatives to labourfed/Unions/Societies.	0.10	-	(+) 0.01	0.11	-	(-) 0.11
8.	5	2204-Sports & Youth Service NCC. General Establishment.	6.00	0.25	(+) 0.07	6.32	5.34	(-) 0.98
9.	5	2204-Sports & Youth Service. Direction and Administration.	5.95	-	(+) 0.02	5.97	5.66	(-) 0.31
10.	5	2058-Stationery & Printing. Cost of printing at private presses.	0.23	1.44	(+) 0.26	1.93	0.90	(-) 1.03
11.	5	2058-Stationery & Printing Government Presses	8.66	-	(+) 0.10	8.76	8.32	(-) 0.44
12.	7	2040-Taxes on Sales, Trades etc. Direction and Administration.	28.91	1.81	(+) 0.10	30.82	27.98	(-) 2.84
13.	10	2052-Secretariat General Services. General Service Secretariat.	26.21	-	(+) 0.34	26.55	25.91	(-) 0.64
14.	10	2052-Secretariat General Services Other offices Computerisation of State Treasuries	-	-	(-) 1.20	1.20	-	(-) 1.20
15.	11	2210-Medical & Public Health. Government	22.52	2.96	(+) 0.70	26.18	19.50	(-) 6.68

		Medical College, Patiala.						
16.	11	2210-Medical & Public Health. Glancy Medical College, Amritsar.	20.17	2.84	(+) 0.74	23.75	18.94	(-) 4.81
17.	11	2210-Medical & Public Health Direction & Administration Direction (D.R.M.E.)	1.78	-	(+) 0.48	2.26	1.52	(-) 0.74
18.	11	2210-Medical & Public Health Medical relief to Guru Tegh Bahadur Hospital Amritsar	15.47	-	(+) 0.30	15.77	15.05	(-) 0.72
19.	11	2210-Medical & Public Health Dental College & Hospital Amritsar	1.98	-	(+) 0.55	2.53	1.70	(-) 0.83
20.	19	3451-Secretariat Economic Services. Assistance to Non-Government organizations.	2.00	-	(+) 1.38	3.38	0.80	(-) 2.58
21.	22	2053-District Administration. District Establishment.	53.47	2.05	(+) 0.01	55.53	53.00	(-) 2.53
22.	22	4059-Capital Outlay on Public Works. Outlay recommended by the 10th Finance Commission for record rooms.	0.48	-	(+) 0.40	0.88	-	(-) 0.88
23.	23	2515-Other Rural Development Programmes. Swarn Jayanti Gram Sewa Rojgar Yojna.	6.75	-	(+) 1.70	8.45	-	(-) 8.45
24.	23	2515-Other Rural Development Programmes Grant recommended by 11th Finance Commission for Panchayati Raj Institutions.	1.00	-	(+) 29.93	30.93	-	(-) 30.93
25.	23	2515-Other Rural Development Programmes Grant recommended by 11th Finance Commission for Augmentation of traditional water sources	0.33	-	(+) 0.48	0.81	-	(-) 0.81
26.	23	4515-Capital Outlay on Rural Development Programmes. Indira Awas Yojna (CSS).	10.33	-	(+) 0.30	10.63	-	(-) 10.63
27.	25	2225-Welfare of SC/ST and OBC. Capital subsidy under Bank Tie up Loaning Programme to below poverty line Scheduled Caste.	7.00	-	(+) 13.00	20.00	0.05	(-) 19.95
28.	25	2235-Social Security & Welfare. Integrated Child Development Service Scheme.	34.87	-	(+) 0.48	35.35	30.82	(-) 4.53
29.	25	2235-Social Security & Welfare Empowerment of Women. Mahila Jagriti Yojna.	0.05	-	(+) 0.45	0.50	-	(-) 0.50

APPENDIX - XI

(Refers to paragraph 2.3.9(a) page 28)

Cases where savings remained unsurrendered

(Rupees in crore)

Sl No.	Grant	Saving	Amount Surrendered
Revenue (Voted)			
1.	01-Agriculture and Forests	83.15	
2.	02-Animal Husbandry and Fisheries	26.05	
3.	03-Co-operation	11.01	
4.	07-Excise & Taxation	7.53	
5.	12-Home Affairs & Justice	56.84	
6.	13-Industries	25.52	
7.	16-Labour and Employment	3.26	
8.	17-Local Govt Housing & Urban Development.	2.48	
9.	22-Revenue & Rehabilitation	138.86	
10.	23-Rural Development & Panchayats	111.89	
11.	24-Science and Technology	4.65	
12.	30-Vigilance	1.30	
Revenue Charged			
13.	08-Finance	587.93	
14.	12-Home Affairs and Justice	2.32	
15.	21-Public Works	1.47	
Capital (Voted)			
16.	02-Animal Husbandry & Fisheries	3.18	
17.	03-Co-operation	39.23	
18.	08-Finance	5.00	
19.	11-Health and Family Welfare	7.00	
20.	12-Home Affairs & Justice	7.75	
21.	13-Industries	1.62	
22.	17-Local Government , Housing and Urban Development.	98.24	
23.	18-Personnel and Administrative reforms	3.00	
24.	21-Public Works	197.16	
25.	23-Rural Development and Panchayats	16.99	
26.	24-Science, Technology and Environment	15.93	
Capital Charged			
27.	08-Finance	1873.40	-
	Total	**3332.76**	-

APPENDIX - XII
(Refers To paragraph 2.3.9(a) page 28)

Anticipated savings not surrendered

(Rupees in crore)

Sl. No.	Grant	Total saving	Amount surrendered	Amount not surrendered	% age not surrendered
Revenue (Voted)					
1.	04-Defence Services Welfare	2.77	0.61	2.16	77.97
2.	05-Education	327.48	7.19	320.29	97.80
3.	06-Elections	6.92	4.36	2.56	36.99
4.	09-Food and Supplies	3.68	1.41	2.27	61.85
5.	10-General administration	17.61	9.01	8.60	48.83
6.	11-Health and Family Welfare	143.78	0.30	143.48	99.79
7.	14-Information and Publicity	3.02	0.84	2.18	72.18
8.	18-Personal & Administrative Reforms	1.68	0.32	1.36	80.95
9.	19-Planning	190.34	155.08	35.26	18.52
10.	25-Soc. & Women Welfare & Welfare of SC & BC	62.28	23.65	38.63	62.02
11.	27-Technical Education	43.61	17.20	26.41	60.58
12.	28-Tourism and Cultural Affairs	33.94	2.81	31.13	41.72
13.	29-Transport	13.71	5.64	8.07	58.86
Capital Voted					
14.	01-Agriculture and Forests	42.59	0.03	42.56	99.92
15.	09-Food and Supplies	128.43	105.00	23.43	18.24
16.	19-Planning	84.29	48.12	36.17	42.91
17.	22-Revenue and Rehabilitation	6.18	3.60	2.58	41.74
18.	25-Soc.& Women Welfare & Welfare of SC &BC	14.80	8.40	6.40	43.24
19.	29-Transport	2.17	0.59	1.58	72.81
	Total	**1129.28**	**394.16**	**735.12**	

Appendix - XIII
(Refers to paragraph 2.3.9 (b) page 28)

Amount surrendered during last two days of March 2001

Sr. No.	Grant No	Head	Grant/ appropriation	Amount surrendered (Rupees in crore)
1.	04-Defence Services Welfare	3604-Compensation & Assignment to Local Bodies	Revenue voted	0.61
2.	06-Elections	2075-Miscellaneous General Services	"	4.36
3.	09-Food and Supplies	3456-Civil Supplies	"	1.41
4.	09-Food and Supplies	4408-Capital Outlay on Food Storage and Warehousing	Capital voted	105.00
5.	10-General Administration	3451-Secretariat Economic Services	Revenue voted	9.01
6.	14-Information and Public Relation	2235-Social Security and Welfare	"	0.84
7.	18-Personnel and Administrative Reforms	2070-Other Administrative Services	"	0.32
8.	18-Personnel and Administrative Reforms	2070-Other Administrative Services	Revenue charged	0.02
9.	19-Planning	3454-Census, Survey and Statistics	Revenue voted	155.08
10.	19-Planning	5475-Capital Outlay on other General Economic Services	Capital voted	48.12
11.	20-Programme Implementation	3451-Secretariat Economic Services	Revenue voted	0.05
12.	22-Revenue and Rehabilitation	4059-Capital Outlay on Public Works	Capital voted	3.60
13.	25-Soc. & Wom. Welf. & Welf. of SC & BC	2235-Social Security and Welfare	Revenue voted	23.65
14.	25-Soc. & Wom. Welf. & Welf. of SC & BC	4225-Capital Outlay on Welfare of S.C.s, S.T.s and other B.C.s	Capital voted	8.40
15.	27-Technical Education and Industrial Training	2230-Labour and Employment	Revenue voted	17.20
16.	28-Tourism & Cultural Affairs	3452-Tourism	"	2.81
17.	28- Tourism & Cultural Affairs	5452-Capital Outlay on Tourism	Capital voted	0.86
	TOTAL			**381.34**

Appendix - XIV
(Refers to paragraph 2.4 Page 28)

Statement showing grants recommended by Tenth Finance Commission for Panchayati Raj Institutions and funds released by Central Government and State Government.

(Rupees in crore)

Year	Grant recommended by Tenth Finance Commission	Grant released by Central Government	Grants short released	Grant released by State Government out of Grants released by Central Government.
1995-96	-	-	-	-
1996-97	25.84	25.84	-	-
1997-98	25.84	6.46	19.38	-
1998-99	25.84	12.92	12.92	-
1999-2000	25.83	-	25.83	-
2000-2001	-	-	-	16.50
TOTAL	**103.35**	**45.22**	**58.13**	**16.50**

Appendix - XV
(Refers to paragraph 2.5 page 29)

Trend of recoveries and credits

(Rupees in crore)

Sr No	Grant No.	Estimate	Actual	Actual compared with Budget Estimate
1.	05-Education	0.10	-	(-)0.10
2.	09-Food and Supplies	1450.00	626.15	(-)823.85
3.	12-Home Affairs and Justice	0.31	-	(-)0.31
4.	29-Transport	6.00	5.95	(-)0.05
	Total	**1456.41**	**632.10**	**(-)824.31**

Sr No	Grant No	Budget Estimate	Actuals	Actuals compared with Budget Estimates
1.	01-Agriculture and Forests	-	0.55	0.55
2.	02-Animal Husbandry and Fisheries	-	0.36	0.36
3.	03-Co-operation	-	17.13	17.13
4.	13- Industries	-	0.01	0.01
	Total	-	**18.05**	**18.05**

Appendix XVI
(Refers to paragraph 2.8 page 30)
List of defective re-appropriation orders for the year 2000-2001

Sr. No.	Grant No.	Re-appropriation order number and date	Gross amount of the re-appropriation order	Authority by which order was issued	Brief reasons of rejection	Details of this office reference vide which AD/FD was informed
1.	1-Agriculture	12/23/2000/Coord.II/2203 Dated 30.03.2001	95,74,17,000	Under Secretary to Government Punjab, Department of Agriculture	Re-appropriation made to the 'New Scheme'.	Appn/Bud/G-I/2000-01/309-10 Dated 18.6.2001
2.	- do -	43/27/2000/FEIV/4241 Dated 23.03.2001	60,78,000	Secretary to Government, Punjab, Forest & Wild Life Department, Punjab, Chandigarh	(i) Surrenders/Withdrawals used without the prior permission of the Finance Department.	Appn/Bud/G-I/2000-01/311-12 Dated 18.6.2001
3.	5-Education	7/22/2000-5S-4/1124-27 Dated 30.03.2001	2,34,79,000	Joint Secretary Education Department. Punjab	(i) Surrenders/Withdrawals used without prior permission of the Finance Department.	Appn/Bud/G-5/2000-01/313-16 Dated 18.6.2001
4.	- do -	7/22/2000-5S-4/1120-23 Dated 30.03.2001	23,36,35,000	- do -	(i) Surrenders/Withdrawals used without prior permission of the Finance Department. (ii) Re-appropriation made to the 'New Scheme'.	- do -
5.	- do -	2/14/2000-1 Edu.7/6511 Dated 30.03.2001	28,88,72,000	Spl. Secretary, Education Department, Punjab	- do -	- do -
6.	8-Finance	15/4/2000/5FE-VII/3041-42 Dated 30.03.2001	14,16,37,78,000	Principal Secretary, Finance Department, Punjab, Chandigarh	(i) Total of the re-appropriation order in respect of 'From and 'To' sides do not tally. (ii) Re-appropriation made to the 'New Scheme'.	Appn/Bud/136/G-8/2000-01/350 Dated 4.7.2001
7.	11-Health and Family Welfare	68/2001-4H36/7347 Dated 30.03.2001	84,92,000	Deputy Secretary, Department of Health and Family Welfare	(i) Surrenders/Withdrawals used without prior permission of the Finance Department. (ii) Re-appropriation made to the 'New Scheme'.	Appn/Bud/G-11/2000-01/326-27 Dated 20.6.2001
8.	- do -	2/68/2001-4H6/7339 Dated 30.03.2001	11,58,25,000	- do -	(i) Re-appropriation made to the 'New Scheme'.	- do -

9.	12-Home Affairs and Justice	1/126/2000-1H6/637 Dated 31.03.2001	67,31,600	Principal Secretary, Home Department, Punjab	(i) Figures of re-appropriation order is not shown in thousands (ii) Re-appropriation is not according to Revised Estimates	Appn/Bud/G-12/2000-01/323-24 Dated 20.6.2001
10.	13-Industries	5/16/2001-31B/1453-56 Dated 30.03.2001	22,40,86,000	Secretary to Government, Punjab Department of Industries and Commerce, Chandigarh	(i) Saving from Revenue head reappropriated in the Capital head. (ii) Re-appropriation made to the 'New Scheme'.	Appn/Bud/G-13/2000-01/319-21 Dated 19.6.2001
11.	15-Irrigation and Power	5/10/2001-5/PP3/12742 Dated 22.06.2001	1,16,08,49,000	Principal Secretary to Government of Punjab, Chandigarh	Re-appropriation order issued after the close of Financial year i.e. 22.06.2001	Appn/Bud/G-15/136/Vo.II/2000-01/ 358-60 Dated 12.7.2001
12.	18-Personnel and Administrative Reforms	3/9/2000-Trg.(3)/4464 Dated 30.03.2001	20,96,000	Secretary to Government of Punjab, Department of Personnel Training, Chandigarh	Total of the order in respect of 'From' and 'To' sides do not tally.	Appn/Bud/G-18/2000-01/328-29 Dated 20.6.2001
13.	21-Public Works	5/85/2001-3B&R/1337 Dated 29.03.2001	1,48,61,31,000	Chief Engineer, P.W.D. (B&R), Patiala	Re-appropriation made against 'Nil' Budget provision.	Appn/Bud/G-21/136/2000-01/331-33 Dated 20.6.2001
14.	24-Science Technology and Environment	10/21/89-SIE(2)/694 Dated 31.03.2001	5,16,50,000	Principal Secretary to Government of Punjab, Department of Science, Technology & Environment	Re-appropriation made to the 'New Scheme'.	Appn/Bud/2000-01/317-18 Dated 18.6.2001
	Total		18,72,91,19,600			

Appendix - XVII

(Refers to paragraph 2.9 page 30)

Statement showing flow of expenditure during the four quarters of 2000-2001

Sl. No	Head of Account	Ist Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total	During March 2001	Percent-age of March 2001 w.r.t. total expenditure of 2000-01
		(Rupees			in	Crore)		
Revenue								
1	2075-Misc General Service	1.11	65.69	363.92	1197.15	1627.87	838.64	51.51
2	2225-Welfare of SC/ST	3.51	9.76	6.11	26.75	46.13	21.10	45.74
3	2245-Relief on account of Natural Calamity	1.35	7.14	0.91	76.00*	85.40	79.89	93.54
4	2501-Special programme for Rural Development	0.08	0.08	0.06	1.09	1.31	1.03	78.62
5	3451-Secretariat Economic Service	9.49	24.54	26.44	72.15	132.62	47.52	35.83
6	4055-Capital outlay on Police	-	-	3.55	23.68	27.23	23.68	86.96
7	4851-Capital outlay on village & small Industries	(-)0.01	(-)0.01	0.25	0.90	1.13	0.90	79.64
8	5053-Civil Aviation	-	-	-	2.17	2.17	2.17	100
9	5425-Other Scientific Service	-	-	3.01	3.84	6.85	3.09	45.10
10	5475-Capital outlay on other General Economic Service	0.85	7.76	14.58	54.76	77.95	38.02	48.77
	Total	**16.38**	**114.96**	**418.83**	**1458.49**	**2008.66**	**1056.04**	

*This includes of (-) Rs. 1.89 crore in January 2001 & (-) Rs 1.99 crore in February 2001.

Appendix.-XVIII

(Refers to in Paragraph 2.10.2(ii) Page 31)

Provision for funds for schemes awaiting sanction

Sr. No.	Grant/Head of Account	Final saving (Rupees in lakh)	Contributing reasons as stated by Government/ department
1.	2-Animal Husbandry and Fisheries 2403-Animal Husbandry 107-Fodder and Feed Development 02-Strengthening of state Fodder Seed Farm Kule Majra, Nabha for production of Foundation Certified Seed	15.00	Non sanction of scheme by the Government of India.
2.	03-Establishment of Fodder Banks in Hoshiarpur	22.50	State Government have not sanctioned this scheme.
3.	789-Special Component Plan for Scheduled Castes. 02-Subsidy for 3000 Milk Animals and regular Deworming.	87.00	Non-sanction of scheme by the State Government.
4.	03-Subsidy for 2550 Goats, at the rate of Rs.180 per Goat and Deworming.	6.40	Non-sanction of scheme by the State Government.
5	04-Deworming of Sheeps Herds of Scheduled Castes	9.40	Non-sanction of scheme by the State Government.
6.	107-Fodder and Feed Development 06-Scheme for Fodder Production through Registered Growers.	3.33	Non-sanction of scheme by the State Government.
7.	107- Fodder and Feed Development 03-Establishment of Fodder Banks in Hoshiarpur.	7.50	Non-sanction of scheme by the State Government.
8.	06-Scheme for Fodder Production through Registered growers	10.00	Non-sanction of scheme by the State Government.
9.	6403-Loans for Animal Husbandry. 190-Loans to Public Sector and other undertakings. 03-Investment for purchase of debenture to be floated by the PSCADB for Poultry, Piggery and Sheep.	82.50	Non-sanction of scheme by the State Government.
10.	2405-Fisheries 101-Inland Fisheries 12-Development of Fisheries in lakes/Reservoirs.	5.00	Non-sanction of scheme by the state Government.
	Total	**248.63**	

Appendix.-XIX

(Referred to in Paragraph 2.10.2.(iii) Page 31)

Saving due to Non-release of Funds.

Sr. No.	Grant/Head of Account	Final saving (Rupees in lakh)	Contributing reasons as stated by Government/ department
1.	2-Animal Husbandry and Fisheries 2403 Animal Husbandry 101-Veterinary services and Animal Health 02-Rinderpest eradication programme	60.00	Non-sanction/release of funds by the state Government.
2.	15-Animal Disease Management Regulatory Medicines Establishment of Regional Referred Diseases DIAGLAB	97.00	Non-sanction/release of funds by the state Government.
3.	106-Other Live Stock Development 09-Central Sector schemes for providing Financial Assistance to States for preservation of Pack Animals	7.00	Non-sanction/release of funds by the state Government.
4.	10-Animal Husbandry Extension	13.73	Non-sanction/release of funds by the state Government.
5.	21-Assistance to states for Establishment to Carcass Utilisation Centres for Building Works Equipment	380.00	Non-sanction/release of funds by the Government of India
6.	113-Administrative Investigation and Statistics 03-Live stock census	52.87	Non-sanction/release of funds by the state Government.
7.	04-Sample survey for the production areas and requirement of Fodder.	2.00	Non-sanction of funds by the state Government.
8.	106-Other Live stock Development 11-Animal Husbandry Extension for holding of Regional Live stock and Poultry show in Punjab	4.00	Non-release of funds by the Government of India.
9.	12-National Ram/Buck Production Programme and Programme for Development of Rabbit.	10.00	Non-release of funds by the Government of India.
10.	106-Other Live stock Development 11-Animal Husbandry Extension for holding of Regional live stock and Poultry show in Punjab.	1.00	Non-release of funds by the Government of India.
11.	12-National RAM/Buck Production Programme and Programme for Development of Rabbit	10.00	Non-release of funds by the Government of India.

12.	107-Fodder and Feed Development 02-Strengthening of State Fodder Seed Farm Kule-majra, Nabha for Production of Foundation Certified Seed.	5.00	Non-release of funds by the Government of India.
13.	2405-Fisheries 101-Inland Fisheries 09-Scheme for strengthening of Inland Fish Marketing Infrastructure Machinery and Equipment. (CSS)	8.98	Non-release of funds by the Government of India.
14.	109-Extension and Training 07-Scheme for Fisheries Training and Extension (Plan share)	32.00	Non-sanction of funds by the state Government.
15.	109-Extension and Training 07-Schemes for fisheries Training and Extension (Plan State) .	8.00	Non-sanction of funds by the state Government.
16.	6405-Loans for Fisheries 190-Loans to Public Sector and other Undertakings 01-Investment for purchase of debentures floated ;by the Punjab State Co-operative Land Mortgage Bank Ltd.	10.00	Non-sanction of funds by the state Government.
	Total	**701.58**	

Appendix -XX

(Referred to in Paragraph..2.10.2.(iv) Page.31)

Unnecessary/excessive supplementary grant

Sr. No.	Grant/Head of Account	Total Supplementary	Saving
		(Rupees in lakh)	
1.	02-Animal Husbandry and Fisheries Non-Plan 2403-Animal Husbandry 001-Direction and Administration 01-Direction and Administration	2.00	9.08
2.	102-Cattle and Buffalo Development 01-Cattle Development	50.00	22.42
3.	103-Poultry Development 01-Poultry Farms	15.00	34.88
4.	104-Sheep and Wool Development 01-Sheep and Wool Development	20.00	14.94
5.	2404-Dairy Development 102-Dairy Development Projects 01-Dairy Development	3.01	6.91
6.	2415-Agricultural Research and Education 05-Fisheries 004-Research 01-Research Station-cum-Aquarium and Museum	1.50	3.11
7.	6403-Loans for Animal Husbandry 190-Loans to Public Sector and other Undertakings 03-Investment for purchase of debentures to be floated by the P.S.C.A.D.B for Poultry, Piggery and sheep breeding.	2.50	82.50
8.	04-Defence Services Welfare 3604-Compensation and Assignment to Local Bodies and Panchayati Raj Institutions. 200-Other Miscellaneous Compensations and Assignments. 01-Grants-in-aid to Municipal Committees-Corporations/Notified Area Committees in lieu of abolition of octroi in the state.	48.93	48.94

Appendix -XXI

(Referred to in Paragraph 2.10.3 Page .31)

Substantial Savings in Grants/Appropriations

Sr. No.	Grants/Head of Account	Provision	Saving (percent)	Contributing reasons as stated by Government/Department
		(Rs. in lakh)		
1.	02-Animal Husbandry 2403-Animal Husbandry 102-Cattle & Buffalo Development 10-National Project for Cattle & Buffalo Development. (CSS)	1580.00	1237.84 (78.34)	Short-release of funds by the Government.
2.	10-General Administration 2052-Secretariat-General Services 092-Other offices 06-Introduction of Computerization in Punjab Government offices, Semi Government Bodies and offices including maintenance.	795.95	462.69 (58.13)	Under utilisation was due to lengthy purchase procedure and limited available time period.
3.	25-Social & Women's Welfare of Scheduled Castes & Backward Classes 2235-Social Security & Welfare 02-Social Welfare 102-Child Welfare 09-Integrated Child Development Service Scheme.	3534.77	453.06 (12.82)	Savings was attributed to Administrative reasons.
4.	2225-Welfare of Scheduled Castes Schedule Tribes and Other Backward Classes. 02-Welfare of Schedule Tribes 277-Education 01-Promotion of Education among Educationally Backward Classes.	2367.96	585.65 (24.73)	Due to non-passing of bills by the treasury.
5.	01-Welfare of Scheduled Castes 789-Special Component Plan for Scheduled Castes 03-Capital Subsidy under Bank tie up Loaning Programme to below poverty line Scheduled Castes through PSCFC	2000	1994.79 (99.74)	Due to non-clearance of scheme by the Government.

6.	27-Technical Education and Industrial Training 2203-Technical Education 105-Polytechnics 02-Assistance to Non Government Polytechnics.	388.00	129.34 (33.34)	Due to cut imposed by the Government.
7.	2203-Technical Education 112-Engineering/Technical Colleges and Institutes 02-Setting up of College of Engineering Technology at Bathinda	450.00	300.00 (66.67)	Due to late receipt of approval the amount was not drawn from the treasury.
8.	03-Two New Degree Level Institutions	542.50	337.50 (62.21)	--do--
9.	29-Transport 3055-Road Transport 201-Government Transport Services, Punjab Roadways. 05-Punjab Roadways Chandigarh.	33006.74	30914.61 (93.66)	The provision for all the 18 Depots of Punjab Roadways was made under this sub-head.
10.	5055-Capital outlay on Road Transport 800-Other Expenditure 05-Repayment of Loans Principal amount to PUNBUS.	700.00	108.00 (15.43)	Non-payment of bills by the treasury due to non-receipt of clearance from the Finance Department.
11.	2-Animal Husbandry and Fisheries 2403-Animal Husbandry 106-Other Live stock Development 21-Assistance to states for establishment to carcass utilization centres for building works equipments.	380.00	380.00 (100)	Non-release of funds by the Government of India.
12	10-General Administration 2052-Secretariat General Services 092-Other Offices. 08-Computerization of State Treasuries as per recommendation of 11th Finance Commission.	120.00	120.00 (100)	The FD had not given its concurrence for the release of funds.
13.	2225-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes 01-Welfare of Scheduled Castes 789-Special Component Plan for Scheduled Castes 05-Funding of Economic Ventures/ Commercial Activities for purchase of Plots.	200.00	200.00 (100)	Due to non clearance of Scheme by Government
14.	06-Funding of Economic ventures/ Commercial Activities for Economic ventures.	300.00	300.00 (100)	--do--
15.	11-Implementation of SCA Programme at District Head Quarters (Rs.50 lakh for each District)	340.00	340.00 (100)	Reasons were not intimated by the department.

16.	4225-Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes 01-Welfare of Scheduled Castes 190-Investments in Public Sector and other Undertakings 01-Share Capital contribution to the Punjab Scheduled Castes Land Development & Finance Corporation. (Plan Share)	240.20	240.20 (100)	Due to non clearance of Scheme by the Government
17.	01-Share Capital Contribution to the Punjab Scheduled Castes land Development and Finance Corporation (Plan State)	250.00	250.00 (100)	--do--
18.	03-Welfare of Backward Classes 190-Investments in Public Sector and other undertakings 01-Share Capital Contribution to Punjab Backward Classes Land Development & Finance Corporation	150.00	150.00 (100)	Non-release of funds by the Government.
19.	27-Technical Education and Industrial Training 2203-Technical Education 800-Other Expenditure 03-Payment of enhanced compensation for the acquisition of land for the opening of National Institute.	300.00	300.00 (100)	Funds were not drawn as the Government had decided to file the SLP in the honourable Supreme Court of India.
20.	2203-Technical Education 105-Polytechnics 53-Government Polytechnics for Women Dinanager	243.75	243.75 (100)	Scheme was not cleared by the Government as the institution was not shifted to its campus.
21.	789-Special Component Plan for Scheduled Castes 02-Setting up of College of Engineering Technology at Bathinda.	150.00	150.00 (100)	Due to late receipt of approval of grant, the amount was not drawn from the treasury.
22.	02-Animal Husbandry and Fisheries. 6404-Loans for Dairy Development 190-Loans to Public Sectors and other undertakings 02-Investment for purchase of debenture to be floated by PSLDMB Ltd. for Dairy Development.	225.00	225.00 (100)	Due to non-release of funds by the Government.

Appendix-XXII

(Referred to in Paragraph 2.10.4 Page 31)

Persistent savings in grants/appropriations

Sr. No.	Grant/Head of Account/Name of Scheme	Total Grant Amount of Savings (Percent)		
		1998-1999	1999-2000	2000-2001
1.	02-Animal Husbandry and Fisheries 2403-Animal Husbandry	(Rupees in lakh)		
	101-Veterinary Services and Animal Health. 02-Rinderpest eradication programme. (CSS)	50/50 (100)	100/90.49 (90.49)	60/60 (100)
2.	105-Piggery Development 03-Assistance to States for integrated Piggery Development (CSS)	22/22 (100)	13/13 (100)	13/8.53 (65.62)
3.	106-Other Live Stock Development 21-Assistance to states for establishment of sectors carcass utilisation centre for Building works equipments, tools and machinery. (CSS)	147/127 (86.39)	400/400 (100)	380/380 (100)
4.	04-Defence Services Welfare 4235-Capital outlay on Social Security and Welfare 02-Social Welfare 190-Investments in Public Sector and other undertakings 02-Construction of Sainik Rest House in the newly created District.	50/25 (50)	50/50 (100)	50/50 (100)
5.	25-Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes. 2225-Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes 01-Welfare of Scheduled Castes 001-Direction and Administration 04-Creation of staff for newly created districts.	17.09/12.30 (71.97)	15.00/14.80 (98.67)	19/16.17 (85.11)
6.	789-Special component plan for Scheduled Castes. 11-Hostel for Boys/Girls in Schools/Colleges	20/19.25 (96.25)	20/20 (100)	20/20 (100)
7.	277-Education 12-Hostels for Boys and Girls studying in Schools and Colleges.	20/19.25 (96.25)	20/20 (100)	20/20 (100)
8.	789-Special Component plan for Scheduled Castes 01-Scheme for setting up of Institutes for training to Scheduled Castes candidates in stenography. (CSS)	20/17.66 (88.30)	33.30/32.74 (98.32)	28/10.97 (39.18)
9.	03-Capital Subsidy under Bank tie-up loaning Programme to below poverty line Scheduled Castes through PSCFC. (CSS)	650/310 (47.69)	650/650 (100)	2000/1994.80 (99.74)
10.	10-Formulation of Directorate. Special Component plan/Monitoring/Review and implementation for special component plan. (CSS)	50/40.79 (81.58)	50/50 (100)	25/24 (96)
11.	11-Implementation of SCA Programmes at District Headquarters (Rs.50 lakh for each district) (CSS).	850/850 (100)	850/834.35 (98.16)	340/340 (100)

12	03-Welfare of Backward Classes 277-Education 02-Welfare of other Backward Classes/ denotified Tribes.	21.30/18.40 (86.38)	21.30/21.30 (100)	21.30/21.30 (100)
13.	4225-capital outlay on welfare of Scheduled Castes, Scheduled Tribes and other Backward classes. 01-Welfare of Scheduled Castes. 190-Investments in Public Sector and other undertakings. 01-Share Capital of the Punjab Scheduled Castes Land Development and Finance Corporation.	750/571.33 (76.18)	500/474.50 (94.90)	240.20/240.20 (100)
14.	27-Technical Education and Industrial Training. 2203-Technical Education 104-Assistance to Non-Government Technical Colleges and Institutes. 04-Introduction of new course in computer Science and Engineering at GNEC, Ludhiana.	50/38 (76)	30/10 (33.33)	35/35 (100)
15-	105-Polytechnics 13-Government Polytechnic Lehragaga.	74/52.36 (70.76	55/30.09 (54.71)	42.72/13.96 (32.68)
16.	112-Engineering/Technical Colleges and Institutes 02-Setting up of Colleges of Engineering technology at Bathinda..	300/98 (32.66)	732/360 (49.18)	450/300 (66.67)
17.	03-Two new Degree level Institutions	700/150 (21.43)	1383/425 (30.73)	542.50/337.50 (62.21)
18.	06-Setting up of Technical University.	300/188 (62.67)	75/35 (46.67)	150/73 (48.67)
19.	2225-Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes. 01-Welfare of Scheduled Castes 800-Other Expenditure 07-Contribution to Industrial Training centers.	87.57/29.43 (33.61)	87.27/25.38 (29.08)	76.79/23.07 (30.04)
20.	2230-Labour and Employment 03-Training 003-Training of Crafts men and Supervisors 05-Opening of New ITI in rural/unrepresented areas.	200/129.82 (64.91)	80/21.75 (27.19)	130/84.88 (65.29)
21.	06-Introduction of new courses in the Rural areas of emerging technology in the urban existing ITI/ITCs/GIGSE.	40/30.28 (75.70)	25/14.31 (57.24)	27/14.81 (54.85)
22.	02-Animal Husbandry and Fisheries 2403-Animal Husbandry 106-Other Live stock Development 10-Animal Husbandry Extension (CSS)	80/80 (100)	80/80 (100)	13.73/13.73 (100)
23.	12-National Ram/Buck Production Programme and Programme for Development of Rabbits strengthening and marketing system.	11.25/11.25 (100)	26.50/26.50 (100)	10/10 (100)
24.	6403-Loans for Animal Husbandry 190-Loans to Public Sector and other undertakings. 03-Investment for Purchase of debenture to be floated by the PSCADB for Poultry, Piggery and Sheep breeding, Cattle feed processing units and Camel Carts.	80/80 (100)	80/80 (100)	82.50/82.50 (100)

25.	6404-Loans for Dairy Development 190-Loans to Public Sector and other Undertakings. 02-Investment for purchase of debentures to be floated by PSLDMB Ltd. For Dairy Development.	225/225 (100)	225/225 (100)	225/225 (100)
26.	25-Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes. 2225-Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes. 01-Welfare of Scheduled Castes. 789-Special component Plan for Scheduled Castes. 05-Funding of Economic Ventures/ Commercial Activities for purchase of plots (CSS)	200/200 (100)	200/200 (100)	200/200 (100)
27.	06-Economic Venture (CSS).	300/300 (100)	300/300 (100)	300/300 (100)
28.	07-Providing of equipment and Raw Material to the trainees of Community Centre of Welfare Department (CSS)	68.24/68.24 (100)	68.64/68.64 (100)	42.34/42.34 (100)
29.	09-Strengthening of 108 Community Centres for Providing equipments and raw material (CSS).	80/80 (100)	64.80/64.80 (100)	64.80/64.80 (100)
30.	800-Other expenditure 03-Removal of untouchability under programme for Implementation of PCR Act, 1955.	35/35 (100)	40/40 (100)	40/40 (100)
31.	06-Creation of Atrocity Cell under Atrocity Act, 1989 to provide monetary relief to victims of Atrocity.	32.05/32.05 (100)	10/10 (100)	10/10 (100)
32.	2235-Social Security and welfare 789-Special Component Plan for Scheduled Castes 01-Social Security to Girls Child Kanya Jagriti Jyoti Scheme.	45/45 (100)	475/475 (100)	240/240 (100)

Appendix -XXIII

(Referred to in Paragraph 2.10.5 Page 32)

Unusual Excess over Budget Grant

Sr. No.	Name of Grant/Head of Account	Total Grant	Amount Excess (percent)	Contributing reasons as stated by Department
		(Rs. in lakh		
1.	25-Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes 2235-Social Security and Welfare 02-Social Welfare 101-Welfare of Handicapped 06-Financial Assistance to the Disabled Persons.	28.50	25.57 (89.72)	The original grant was 92.4 lacs but it was reduced in the revised budget in the month of February, 2001 whereas the drawl had already been made before the issue of revised grant i.e. before December 2000.
2.	103-Women Welfare 03-Financial Assistance to Widows and Destitute Women	102.00	161.04 (157.88)	Drawl was made prior to the revision of budget i.e. before December, 2000; against original grant of Rs. 306.10 lakh.
3.	60-Other Social Security and Welfare Programme 102-Pensions Under Social Security Schemes 01-Old age Pension	1321.02	242.35 (18.35)	The original grant was Rs.1838.61 which was reduced in the month of 2/2001. Hence the excess occurred due to late revision of Budget.
4.	102-Child Welfare 08-Social security to girls child Kanya Jagriti Jyoti Scheme.	160.00	140.00 (87.50)	Excess expenditure was booked due to sanction for lump sum amount of minor/sub head 789-Special component plan for Scheduled Castes 01-Social Security Girls Child Kanya Jagriti Jyoti Scheme under this sub-head.
5.	27-Technical Education and Industrial Training 2203-Technical Education 105-Polytechnics 10-Government Polytechnic for Women at Patiala.	73.00	41.11 (56.32)	Excess was due to payments of arrear of pay.
6.	12-Government Polytechnics Khuni Majra.	25.05	32.57 (130.02)	Expenditure had been incurred according to original grant which was revised through re-appropriation.
	Total		**642.64**	

Appendix -XXIV

(Referred to in Paragraph 2.10.6 Page 32)

Expenditure Without Budget Provision

Sr. No.	Grant/Head of Account	Expenditure without Budget Provision (Rs. in lakh)	Contributing reasons as stated by department.
1.	02-Animal Husbandry and Fisheries 2405-Fisheries 109-Extension and Training 04-Training of Fisheries Personnnal	0.10	As stated by the department it is due to wrong booking.
2.	10-General Administration 2052-Secretariat General Services 092-Other Offices 12-For evaluation studies.	4.80	Originaly provision of Rs. 50.00 lakh was made which was subsequently withdrawn by re-appropriation but expenditure of Rs. 4.80 lakh was booked prior to the re-appropriation.
3.	25-Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes. 2225-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes 800-Other Expenditure 02-Creches for the Children of working mothers for sweepers and scavengers etc.	6.61	As stated by the department it is due to wrong booking.
4.	01-Welfare of Scheduled Castes 282-Health 01-Environmental Improvement of Harijan Basties.	0.53	As stated by the department it is due to wring booking.
5.	29-Transport 3055-Road Transport 201-Government Transport Services, Punjab Roadways 01-Punjab Roadways Amritsar-I	1702.96(voted) 4.96(Charged)	Budget provision stated to have been got made under sub-head-05 Punjab Roadways, Chandigarh and thus defective budgeting.
6.	02-Punjab Roadways Amritsar-II	1645.08(voted) 3.52(Charged)	--do--
7.	03-Punjab Roadways Jalandhar-I	1875.02(voted) 1.50(Charged)	--do--
8.	04-Punjab Roadways Jalandhar-II	1865.26(voted)	--do--
9.	06-Punjab Roadways Pathankot	2396.10(Voted)	--do--
10.	07-Punjab Roadways Moga	1716.85(voted) 0.81(Charged)	--do--

11.	08-Punjab Roadways Ludhiana	2664.87(voted)	--do--
12.	09-Punjab Roadways Hoshiarpur	1756.17(voted) 1.43(Charged)	--do--
13.	10-Punjab Roadways Ferozepur	2528.19(voted)	--do--
14.	11-Punjab Roadways Batala	1944.07(voted) 0.70(Charged)	--do--
15.	12-Punjab Roadways Nawanshahr	2190.14(voted)	--do--
16.	13-Punjab Roadway Tarna Tarn	1134.69(voted) 0.83(Charged)	--do--
17.	14-Punjab Roadways Muktsar	1512.52(voted) 5.13(Charged)	--do--
18.	15-Punjab Roadways Patti.	1061.32(Voted) 0.63(Charged)	--do--
19.	16-Punjab Roadways Ropar.	1751.69(Voted)	--do--
20.	17-Punjab Roadways Jagraon.	1300.40(Voted) 0.51(Charged)	--do--
21.	18-Punjab Roadways Nangal.	1189.05(Voted)	--do--
	Total	**30246.42 (Voted)** **20.02 (Charged)**	

Appendix-XXV

(Refers to para 3.15 Page 86)

Statement showing paragraphs/reviews for which explanatory notes were not received.

Sr. No.	Name of the Department	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	Total
1.	Agriculture	-	-	-	1	2	1	4
2.	Commercial Activities	-	-	-	1	-	1	2
3.	Defence Services Welfare	-	-	-	2	-	-	2
4.	Education Department	-	-	-	-	-	1	1
5.	Election	-	-	-	1	-	-	1
6.	Financial assistance to local bodies	-	-	1	-	-	-	1
7.	Food and Supplies department	-		-	-	-	1	1
8.	General Admn., Home, Transport & Justice	-	-	3	1	1	2	8
9.	General paras	-	-	2	4	-	2	8
10.	Health and Family Welfare	-	-	-	-	1	4	5
11.	Industries Department	-	-	-	3	1	2	6
12.	Public Works Department (B&R)	-	-	-	-	-	5	5
13.	Public Works Department (Public Health)	-	1	2	3	2	10	18
14.	Public Relations	1	-	-	-	-	1	2
15.	Revenue	-	-	-	-	1	1	2
16.	Rural Dev. & Panchayats	-	-	-	3	-	1	4
17.	Relief and Resettlement Department.	-	-	1	-	-	1	2
18.	Social Welfare	-	-	2	1	-	2	5

19.	Science and Technology	-	-	-	2	-	-	2
20.	Soil Conservation Department	-	2	-	-	-	-	2
21.	Transport	-	-	-	1	1	-	2
22.	Technical Education	-	-	-	-	-	2	2
23.	Forest	-	-	-	-	-	2	2
24.	Animal Husbandry	-	-	-	-	-	2	2
	Total	**2**	**3**	**11**	**23**	**9**	**41**	**89**

Appendix XXVI

Glossary of Abbreviation

AAR	Annual Administrative Reports
AC	Abstract Contingent
AD	Assistant Director
ADIA	Additional Director Internal Audit
AIDS	Acquired Immuno Deficiency Syndrome
AVRC	Audio Visual Research Centre
AUWSP	Accelerated Urban Water Supply Programme
BCR	Balance from Current Revenues
CAO	Chief Agricultural Officer
CBOs	Community Based Organisations
CC-TVs	Close Circuit Televisions
CE	Capital Expenditure
CFT	Cubic Feet
CRF	Calamity Relief Fund
CSR	Common Schedule of Rates
DBCS	District Blindness Control Society
DC	Detailed Contingent
DD	Deputy Director
DDO	Drawing and Disbursing Officer
DDPB	District Development Planning Board
DHS	Director Health Services
DIET	District Institute of Education & Training
DM	Divisional Manager
DPBF	District Planning Board Fund
DPDB	District Planning & Development Board
DPI	Director of Public Instruction
DPM	District Programme Manager
DPRs	Detailed Project Reports
DRDA	District Rural Development Agency
DST	Director State Transport
EE	Executive Engineer
ESI	Employees State Insurance
ESIC	Employees State Insurance Corporation
FCI	Food Corporation of India
FCI	Fixed Capital Investment
FD	Fiscal Deficit
FMD	Foot and Mouth Disease

FTA	Fixed Travelling Allowance
GIA	Grants-in-aid
GPF	General Provident Fund
GSDP	Gross State Domestic Product
GSSS	Government Senior Secondary School
HIV	Human Immuno Deficiency Virus
HRD	Human Resource Development
IAO	Internal Audit Organisation
IDU	Injecting Drug User
IEC	Information, Education and Communication
IGP	Inspector General of Prisons
LAO	Land Acquisition Officer
LOC	Letter of Credit
MC	Municipal Committee
MIR	Management Information Report
MIS	Management Information System
MNP	Minimum Needs Programme
MOST	Ministry of Surface Transport
MSTC	Metal Scrap and Trading Corporation
NABARD	National Bank for Agriculture and Rural Development
NAC	Notified Area Committee
NAC	Non Availability Certificate
NACP-I	National AIDS Control Programme Phase-I
NBCC	National Building Construction Corporation
NCDC	National Cooperative Development Corporation
PAC	Public Accounts Committee
PAU	Punjab Agriculture University
PD	Primary Deficit
PH	Public Health
PHSC	Punjab Health System Corporation
PIMTI	Punjab Irrigation Management Training Institute
PLDRC	Punjab Land Development and Reclamation Corporation
PPDC	Punjab Poultry Development Corporation
PRI	Panchayati Raj Institute
PRTC	Pepsu Road Transport Corporation
PSACS	Punjab State AIDS Control Society
PSEB	Punjab State Electricity Board
PSFDC	Punjab State Forest Development Corporation
PSIEC	Punjab Small Industries and Export Corporation
PSTC	Punjab State Tubewell Corporation
PSUs	Public Sector Undertakings

PUNWIRE	Punjab Wireless System Limited
PWSSB	Punjab Water Supply and Sewerage Board
RCS	Registrar Cooperative Societies
RD	Revenue Deficit
RFC	Resident Financial Commissioner
RGDWM	Rajiv Gandhi Drinking Water Mission
ROI	Return on Investment
RSDP	Ranjit Sagar Dam Project
SACC	State AIDS Control Cell
SC	Scheduled Castes
SCERT	State Council of Educational Research and Training
SE	Superintending Engineer
SPO	State Programme Officer
STLs	Soil Testing Laboratories
SYL	Sutlej Yamuna Link
TM	Technology Mission
UGC	University Grants Commission
WSP	Wood Seasoning Plant
WSS	Water Supply and Sewerage
ZBTC	Zonal Blood Testing Centre