REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR ENDED 31 MARCH 2008

(CIVIL)

GOVERNMENT OF PUNJAB

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APPENDICES

PREFACE

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

2. Chapters I and II of this Report respectively contain audit observations on matters arising from examination of the Finance Accounts and the Appropriation Accounts of the State Government for the year ended 31 March 2008.

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 Autonomous Bodies and 'Evaluation of internal control system in Government Departments'.

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 2007-08 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 2007-08 have also been included wherever necessary.

OVERVIEW

OVERVIEW

This Report includes two chapters containing observations on the Finance and the Appropriation Accounts of the Government of Punjab for the year 2007-08 and two Performance Audit including Internal Control System and 32 paragraphs dealing with the results of performance audit of selected programmes and schemes as well as audit of the financial transactions of the Government.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on judgment basis. The specific audit methodology adopted for programmes and schemes has been mentioned in the respective performance audit. The audit conclusions have been drawn and recommendations made taking into consideration the views of the Government. A summary of the financial position of the State Government and audit findings is given below:

Financial position of the State Government

The fiscal position of the State viewed in terms of the trends in fiscal parameters–revenue, fiscal and primary deficit/surplus, it is seen that these deficits have increased in 2007-08. The emergence of revenue deficit along with a sharp increase in fiscal deficit and a steep increase in primary deficit during 2007-08 over previous year apparently indicates weak fiscal health of the State. Whereas the State's own tax revenue, increased by Rs 882 crore (9.78 *per cent*) the non-tax revenue decreased by Rs 2490 crore (32 *per cent*) in 2007-08 over the previous year. Moreover, the tax revenue at Rs 9899 crore in 2007-08 remained significantly lower than both the projections made by the TFC (Rs 10773 crore) as well as by the State Government in its FCP (Rs 11074 crore) indicates an ample scope of additional resource mobilization by the State Government through tax efforts. The pattern of expenditure of the State also indicates that expenditure on salaries, pensions, interest payments and subsidies amounted to 71 *per cent* of total revenue expenditure leaving relatively less resources for effective delivery and expansion of social and economic services. Further capital expenditure excluding loans and advances has shown a decrease of Rs 395 crore. The investments in statutory corporations, joint stock companies and co-operatives stood at Rs 3836 crore during 2007-08 but the negligible return on these investments (less than half *per cent*) vis-à-vis the higher cost of the borrowed funds was putting directly or indirectly the strain on the fiscal budget of the State and therefore continued to be a cause of concern.

Performance Audit of Construction and maintenance of State Highways and District Roads

Performance Audit of construction and maintenance of State Highways and District Roads by Public Works Department (B&R Branch) disclosed that budget estimates were un-realistic as unwarranted reductions were made in the revised budget estimates. The fund management was deficient as Rs 38.98 crore incurred on works without technical sanction, Rs 23.01 crore incurred in excess of budget provisions, Rs 2.21 crore diverted and interest liability of Rs 1.18 crore was created. MORT&H/Public Works Department specifications/instructions were disregarded while according technical sanctions resulting in extra expenditure of Rs 1.19 crore. Contractors were favoured to the extent of Rs 0.78 crore as cash securities were either not deducted or released in advance without observing defect liability period. Non-observance of standardisation and adoption of excess quantity had the effect of avoidable extra expenditure of Rs 5.37 crore which was indicative of lack of cost control mechanism. Monitoring was not only ineffective but almost lacking.

Evaluation of Internal Control in Soil and Water Conservation Department

A review of internal control of selected areas of Soil and Water Conservation Department has shown that Internal Control Mechanism was weak in the Department as control on expenditure was lacking which is evident from savings and excess expenditure against allotments. Departmental receipts were deposited late and utilized towards expenditure in violation of financial rules. Cash Books were not maintained as per rules, there was under utilisation of machinery and non-recovery of its hiring charges. Control on stores and stock was also missing as physical verification of stores and stock items was not conducted. Non-achievement of physical targets and evaluation of the schemes also indicated lack of monitoring/control. Vigilance cell has not been formed and Flying squad created in 1995 was non-functional. Internal audit/inspection was not conducted.

Findings of Transaction Audit

The audit of financial transactions in various departments of the Government and their field formations revealed instances of infructuous/wasteful expenditure and overpayment, losses and unfruitful expenditure and forfeiture of central assistance. Important cases are mentioned below:

There was infructuous/wasteful expenditure and overpayment in Irrigation and Power Department (Rs 87.55 crore), Industries and Commerce (Rs 0.83 crore), Department of Research and Medical Education (Rs 0.81 crore) and Public Works Department (B&R) (Rs 0.68 crore). Besides this, there was a case of loss to the State Exchequer (Rs 0.29 crore).

There were cases of undue financial aid and avoidable expenditure in the Public Works Department (B&R) (Rs 15.59 crore), Health and Family Welfare (Rs 12.28 crore) and Agriculture/Irrigation and Power Department (Rs 0.75 crore).

The cases of idle investment, blocking of funds and mis-utilisation of funds were noticed in the Public Works Department (B&R) (Rs 8.58 crore), Water Supply and Sanitation (Rs 3.54 crore), Industries and Commerce (Rs 2.21 crore), Health and Family Welfare (Rs 1.68 crore), Rural Development and Panchayats (Rs 1.03 crore) and Education (Rs 0.77 crore).

In the department of Home Affairs and Justice (Rs 1.73 crore) a case involving regularity issue was noticed.

CHAPTER-I

FINANCES OF THE STATE GOVERNMENT

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FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

The accounts of the State Government are kept in three parts (i) Consolidated Fund (ii) Contingency Fund and (iii) Public Account ***(Appendix 1.1- Part A).*** The Finance Accounts of the Government of Punjab are laid out in nineteen statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account of the State of Punjab. The lay out of the Finance Accounts is depicted in ***Appendix 1.1- Part B.***

1.1.1 Summary of Receipts and Disbursements

Table-1.1 summarizes the finances of the Government of Punjab for the year 2007-08 covering revenue receipts and expenditure, capital receipts and expenditure and Public Account receipts/disbursements as emerging from Statement-1 of Finance Accounts and other detailed statements.

Table-1.1 Summary of receipts and disbursements for the year 2007-08

(Rupees in crore)

2006-07	Receipts	2007-08	2006-07	Disbursements	2007-08		
Section-A: Revenue					Non-Plan	Plan	Total
20567.14	**Revenue receipts**	**19237.62**	**18543.78**	**Revenue expenditure**	**21897.32**	**1163.54**	**23060.86**
9017.16	Tax revenue	9899.17	10338.64	General services	12886.18	5.72	12891.90
7744.58	Non-tax revenue	5253.97	4103.72	Social services	4118.58	215.00	4333.58
1565.75	Share of Union Taxes/Duties	1974.99	3772.87	Economic services	4535.77	942.82	5478.59
2239.65	Grants from Government of India	2109.49	328.55	Grants-in-aid and Contributions	356.79	-	356.79
Section-B: Capital							
-	**Misc Capital Receipts**	**0.71**	**2586.18**	**Capital Outlay**	272.16	1919.44	**2191.60**
395.45	**Recoveries of Loans and Advances**	**1445.15**	**444.16**	**Loans and Advances disbursed**	31.33	3.52	**34.85**
4274.99	**Public debt receipts***	**5662.21**	**5170.55**	**Repayment of Public Debt***	-	-	**1719.22**
-	**Contingency Fund**	-	-	**Contingency Fund**	-	-	-
18356.90	**Public Account receipts**	**19687.47**	**17791.59**	**Public Account disbursements**	-	-	**18751.22**
1767.65	**Opening Cash Balance**	**825.87**	**825.87**	**Closing Cash Balance**	-	-	**1101.28**
45362.13	**Total**	**46859.03**	**45362.13**	**Total**	-	-	**46859.03**

* ***Excluding Ways and Means Advances and Overdraft***

Following are the significant changes during 2007-08 over previous year:

- Revenue receipts decreased by Rs 1,329 crore in 2007-08 relative to previous year mainly on account of a fall in non-tax receipts by Rs 2,491 crore.
- The total expenditure of the State has increased by Rs 3,714 crore during 2007-08 over the previous year, of which increase in revenue expenditure was Rs 4,517 crore whereas capital expenditure decreased by Rs 394 crore. Main contributors to increase in total expenditure were Power (Rs 1,423 crore: 38 *per cent*), State lotteries (Rs 1,422 crore: 38 *per cent*) pension and other retirement benefits (Rs 527 crore: 14 *per cent*) and interest payment (Rs 375 crore: 10 *per cent*).
- The recovery of loans and advances exhibited a sharp increase from Rs 395 crore in the previous year to Rs 1,445 crore in 2007-08 mainly on account of adjustment of Rs 1,362 crore towards repayment of loans and advances out of total subsidy of Rs 2,848 crore given to power sector during the current year.
- Public debt receipts increased by Rs 1,387 crore mainly on account of internal debt (Rs 1,367 crore) of the State government whereas repayments thereof decreased by Rs 3,451 crore mainly on account of decrease in repayment of loan and advances to Government of India (Rs 3,671 crore). Repayment of internal debt of the State Government increased by Rs 608 crore in the current year as compared to previous year.
- The Public Account receipts increased by Rs 1,331 crore over the pervious year and the disbursement thereof also increased by Rs 960 crore during the year.
- The net impact of the above fiscal transactions of the State was reflected in terms of a net increase of Rs 275 crore in cash balances as on 31 March 2008 from the level of opening balance of Rs 826 crore.

1.1.2 State Fiscal Position by Key Indicators

The fiscal position of the State Government as reflected by key fiscal indicators during the current year as compared to the previous year is given in **Table 1.2.**

Table 1.2 Key fiscal indicators

(Rupees in crore)

2006-07	Sr.No	Major Aggregates	2007-08
20567	**1.**	**Revenue Receipts (2+3+4)**	**19238**
9017	2.	Tax Revenue (Net)	9899
7744	3.	Non-Tax Revenue	5254
3806	4.	Other Receipts	4085
395	**5.**	**Non-Debt Capital Receipts**	**1446**
395	6.	*Of which* Recovery of Loans	1445
20962	**7.**	**Total Receipts (1+5)**	**20684**
18233	**8.**	**Non-Plan Expenditure**	**22201**
17563	9.	On Revenue Account	21897
4152	10.	*Of which* Interest Payments	4527
670	11.	On Capital Account	304
444	12.	Of which Loans Disbursed	31
3341	**13.**	**Plan Expenditure**	**3087**
981	14.	On Revenue Account	1164
2360	15.	On Capital Account	1923
-	16.	Of which Loans Disbursed	-
21574	**17.**	**Total Expenditure (13+8)**	**25288**
(+)2023	18.	Revenue Deficit (-)/Surplus (+)[(1) – (9+14)]	(-)3823
(-)612	19.	Fiscal Deficit (-)/Surplus (+) [(1+5) – 17]	(-)4604
(+)3540	20.	Primary Deficit (-)/Surplus (+) (19-10)	(-) 77

Table-1.2 shows that revenue receipts decreased by Rs 1,329 crore (6.46 *per cent*) during 2007-08 while revenue expenditure increased by Rs 4,517 crore (24 *per cent*) over the previous year resulting in a deficit of Rs 5,846 crore during the current year. The huge deficit in revenue account during the current year turned the surplus of Rs 2,023 crore in the previous year into a net deficit of Rs 3,823 crore during 2007-08. Despite an increase of Rs 1,050 crore under non-debt capital receipts and a decrease of Rs 803 crore in capital expenditure and disbursement of loans and advances, the gross deficit of Rs 5,846 crore in revenue account in 2007-08 resulted in a sharp increase of Rs 3,992 crore in fiscal deficit during the current year. Further, the huge fiscal deficit in 2007-08 turned the primary surplus of Rs 3,540 crore in 2006-07 into a primary deficit of Rs 77 crore despite the increase of Rs 375 crore in interest payments during the current year.

1.2 Methodology adopted for the assessment of Fiscal position

The trends in the major fiscal aggregates of receipts and expenditure as emerged from the Statements of Finance Accounts are analysed wherever necessary over the period of last five years and observations are made on their behavior. In its Restructuring Plan of State finances, Twelfth Finance Commission (TFC) recommended the norms/ceiling for some fiscal aggregates and also made normative projections for others. In addition, TFC also recommended that all States are required to enact the Fiscal Responsibility Acts and draw their Fiscal Correction Path accordingly for the five year period (2005-06 to 2009-10) so that fiscal position of State could be improved as committed in their respective Fiscal Responsibility Act/Rules during medium to long run. The norms/ceilings prescribed by the TFC as well as its projections for fiscal aggregates along with the commitments/projections made by the State Governments in their Fiscal Responsibility Acts and in other Statements required to be laid in the legislature under the Act are used to make qualitative assessment of the trends and pattern of major fiscal aggregates during the current year. Assuming that Gross State Domestic Product (GSDP)[1] is the good indicator of the performance of the State's economy, major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices. The buoyancy coefficients for tax revenues, non-tax revenues, revenue expenditure etc, with reference to the base represented by GSDP have also been worked out to assess as to whether the mobilization of resources, pattern of expenditure etc, are keeping pace with the change in the base or these fiscal aggregates are also affected by factors other than GSDP. The New GSDP series with 1999-2000 as base **(Table 1.3)** have been used for the years 2002-08.

Table 1.3: Gross State Domestic Product (GSDP) – Growth Trends

Estimates	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Gross State Domestic Product (GSDP) (Rs in crore)	82339(R)	89818(R)	97452(R)	109735(P)	123397(Q)	137486 (A)
Rates of Growth GSDP *(per cent)*	3.32	9.08	8.50	12.60	12.45	11.42

R= Revised, P= Provisional, Q= Quick and A= Advance estimates.

Source: GSDP estimates up to 2006-07 are provided by Office of Economic Adviser, Government of Punjab while for 2007-08 GSDP estimates given in Annual Plan (2008-09) Document of Government of Punjab at Page-532 (Annexure 2A) are adopted.

The key fiscal aggregates for the purpose are grouped under four major heads: (i) Assets and Liabilities, (ii) Receipts and disbursements, (iii) Sources and application of funds and (iv) Time series data on State Government finances (***Appendix 1.2 to 1.5***). The overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates. The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given in ***Appendix 1.1 Part C.***

1.2.1 The Fiscal Responsibility and Budget Management (FRBM) Act, 2003

The State Government had enacted the FRBM Act in 2003 which was subsequently amended vide the Punjab Fiscal Responsibility and Budget Management (Amendment) Act, 2005 to ensure prudence in fiscal management and to maintain fiscal stability in the State. To improve the fiscal position and to bring fiscal stability, the Act envisages progressive elimination of revenue deficit, reduction in fiscal deficit and prudent debt management consistent with fiscal sustainability. To ensure fiscal prudence the Act also provides for greater fiscal transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework and matters connected therewith or thereto. The Act, as amended, prescribed the following fiscal targets for the State:

a) reduce the fiscal deficit from the financial year 2005-06 so as to bring it down to three *per cent* of GSDP by the year 2008-09;

[1] **GSDP is defined as the total income of the State or the market value of goods and services produced during the year using labour and all other factors of production.**

b) reduce revenue deficit from the financial year 2005-06 so as to bring it down to zero by the year 2008-09 and generate revenue surplus thereafter;

c) attempt to bring the ratio of debt including contingent liabilities to GSDP down to 28 *per cent* within a period of five years from 2005-06 to 2009-10;

d) Cap outstanding guarantees on long term debt to 80 *per cent* of revenue receipts of the previous year. Guarantees on short term debt to be given only for working capital or food credit in which case this must be fully backed by physical stocks.

In exercise of the powers conferred by Section 7 of the Act, as amended, the State Government framed the Punjab Fiscal Responsibility and Budget Management Rules in December 2006 with a sole target *'to reduce the fiscal deficit from the financial year 2005-06 so as to bring it down to three per cent of GSDP by the year 2009-10.*

1.2.1.1 Fiscal Policy Statement(s) 2006-07

According to the Punjab FRBM Act 2003 as amended in 2005, the State Government is required to lay the Medium Term Fiscal Policy statement *inter alia* setting three years rolling targets, specifying assumptions for sustainability relating to revenue receipts and expenditure before the Legislature in each financial year along with the budget of the ensuing year. State Government has communicated that the Fiscal Correction Path (FCP) developed for the years 2005-06 to 2009-10 also incorporates its medium term fiscal policy as well as reflects its fiscal policy strategy for these years.

1.2.1.2 Roadmap to Achieve the Fiscal Targets as laid down in FRBM Act/Rules

The State Government has developed its own FCP to achieve the targets laid down in its FRBM Act as amended in 2005 indicating the milestones to be achieved for the selected fiscal indicators during the period from 2005-06 to 2009-10 ***(Appendix 1.6).*** The comparative position of selected fiscal parameters vis-à-vis the projections made in FCP for the year 2007-08 as well as the budget and revised estimates of the State Government for 2007-08 is given in **Table 1.4**:

Table-1.4 Comparative position of fiscal parameters

(Rupees in crore)

Sr. No.	Fiscal Indicators	2007-08			
		Projections in FCP	BE	RE	Actual
1.	Revenue Deficit (-)/Surplus (+)	-725	-1430	(-) 1281	(-) 3823
2.	Revenue deficit as percentage of GSDP	-0.60	-1.04	(-) 0.94	(-) 2.78
3.	Revenue deficit as percentage of revenue receipts	-4.18	-6.17	(-) 5.52	(-) 19.87
4.	Fiscal deficit	-3663	-5546	(-) 4364	(-) 4604
5.	Fiscal Deficit as percentage of GSDP	-3.03	-4.05	(-) 3.19	(-) 3.35
6.	Revenue Deficit as percentage of Fiscal Deficit	19.79	25.78	29.34	83.04
7.	Total outstanding Debt	56378	52764	52936	55982
8.	Committed Expenditure (Salary, Pension and Interest payments)	12823	13005	13185	13276
9.	Committed Expenditure as percentage of Revenue Receipts (Lotteries Net)	73.91	70.82	67.07	69.00
10.	Primary Deficit	+742.81	-1189.29	(-) 9.56	(-) 76.95

Note: ***The above data for 2007-08 has been compiled from Page 3 of the Budget at a Glance for the year 2008-09 of the Punjab Government.***

The comparative position presented in **Table 1.2** reveals that fiscal position of the State seems to have deteriorated in terms key fiscal indicators. There was a revenue deficit of Rs 3,823 crore as against the significantly lower deficit projected in FCP as well as the budget and revised estimates for the year. Similarly, the fiscal deficit was although lower than the BE but it remained higher than the projection made in FCP and revised estimates for 2007-08. There was a primary deficit at Rs 77 crore in 2007-08 as against the projection of a surplus of Rs 743 crore in FCP although it was much lower than the BE but higher than the revised estimate for the year.

Further Section 6 (7) of the FRBM Act ibid lays down that the Government may assign to an independent agency to carry out the periodic review for the compliance of the provisions of the Act in the manner as might be prescribed. Government replied that there appeared no need to assign an independent/ external agency to carry out the periodic review.

1.3 Trends and Composition of Aggregate Receipts

The aggregate receipts of State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the Government of India (GOI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GOI as well as accruals from Public Account.

Table 1.5: Trends in Growth and Composition of Aggregate Receipts

(Rupees in crore)

Sources of State's Receipts	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
I Revenue Receipts	**11071**	**12139**	**13807**	**16966**	**20567**	**19238**
II Capital Receipts	**6349**	**7442**	**6495**	**4715**	**4670**	**7108**
Recovery of Loans and Advances	103	105	134	137	395	1445
Public Debt Receipts	6246	7337	6361	4578	4275	5662
Miscellaneous Capital Receipts	-	-	-	-	-	1
III Contingency Fund	-	-	-	-	-	-
IV Public Account Receipts	**11972**	**10111**	**12846**	**15648**	**18357**	**19688**
a. Small Savings, Provident Fund *etc*	1364	1309	1429	1483	1512	1875
b. Reserve Fund	29	223	448	218	319	388
c. Deposits and Advances	1243	913	1206	1462	2086	2774
d. Suspense and Miscellaneous	8491	7137	9023	11462	13173	12728
e. Remittances	845	529	740	1023	1267	1923
Total Receipts	**29392**	**29692**	**33148**	**37329**	**43594**	**46034**

Table–1.5 shows that the total receipts of the State Government for the year 2007-08 were Rs 46,034 crore. Of these, Public Account receipts contributed 43 *per cent* followed by revenue receipts (42 *per cent*) and capital receipts including the public debt contributed the remaining 15 *per cent* during 2007-08 ***(Appendix 1.6)***.

1.3.1 *Revenue Receipts*

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of State's own tax and non-tax revenues, central tax transfers and grants-in-aid from GOI. Overall revenue receipts, its annual rate of growth, ratio of these receipts to the GSDP and its buoyancies are indicated in **Table-1.6.**

Table-1.6: Revenue Receipts - Basic Parameters

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Receipts (RR)	**11071**	**12139**	**13807**	**16966**	**20567**	**19238**
Own Taxes (*per cent*)	5711(52)	6146(51)	6944(50)	8989(53)	9017(44)	9899(51)
Non-Tax Revenue (*per cent*)	4036(36)	4666(38)	5358(39)	4536(27)	7744(38)	5254(27)
Central Tax Transfers (*per cent*)	649(6)	754(6)	903(7)	1228(7)	1566(7)	1975(10)
Grants-in-aid (*per cent*)	675(6)	573(5)	602(4)	2213(13)	2240(11)	2109(11)
Rate of growth of RR (*per cent*)	23.99	9.65	13.74	22.88	21.22	(-)6.46
RR/GSDP (*per cent*)	13.45	13.52	14.17	15.46	16.67	13.99
Buoyancy Ratios[3]						
Revenue Buoyancy w.r.t GSDP	7.22	1.06	1.62	1.82	1.70	(-)0.57
State's own taxes Buoyancy w.r.t GSDP	5.57	0.84	1.52	2.33	0.03	0.86
Revenue Buoyancy with reference to State's own taxes	1.30	1.26	1.05	0.77	68.45	(-)0.66
GSDP Growth (*per cent*)	3.32	9.08	8.50	12.60	12.45	11.42

[3] **Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance revenue buoyancy at (-) 0.57 during 2007-08 implies that revenue receipts tend to decrease by (-) 0.57 percentage points if the GSDP increases by one *per cent*.**

1.3.2 General Trends

The revenue receipts of the State have shown an increasing trend over the period 2002-07 with share of its own taxes varying within the narrow range of 50-53 *per cent* till 2005-06 except in 2006-07 when it dipped to 44 *per cent* and again rose to 51 *per cent*. While the share of non-tax revenue declined from an average of 36 *per cent* in 2002-07 to 27 *per cent* in 2007-08, the share of central transfers increased from 14 to 21 *per cent* during this period.

1.3.3 Tax Revenue

The tax revenue has increased by Rs 882 crore (9.78 *per cent*) during 2007-08 over the previous year. The sales tax, state excise and stamps and registration fee together accounted for around 89 *per cent* in total tax revenue of the State during the current year. However, the revenue from sales tax and state excise increased by Rs 513.47 crore (11 *per cent*) and Rs 493.74 crore (36 *per cent*) over the previous year respectively but the receipts from the stamps and registration recorded a decrease of Rs 236.10 crore (13 *per cent*) during the current year. The steep increase in receipts from state excise was mainly on account of an increase of Rs 520.85 crore (46.54 *per cent*) in receipts from duty on country spirit during the year. **Table 1.7** shows the trends in the composition of tax revenue of the State during 2002-08.

Table1 7: Tax Revenue

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Land Revenue	8.77	13.24	13.72	16.29	15.27	17.31
Stamps and Registration	558.94	729.07	965.89	1670.50	1803.94	1567.84
State Excise	1428.91	1462.79	1486.61	1568.16	1367.78	1861.52
Sales Tax	3072.44	3307.94	3816.38	4626.88	4829.02	5342.49
Taxes on Vehicles	443.88	388.79	403.93	431.19	468.05	499.45
Taxes and Duties on Electricity	187.64	234.91	251.65	669.41	527.58	603.80
Other Taxes and Duties on Commodities and Services	10.43	9.19	6.43	6.85	5.52	6.76
Total	**5711.01**	**6145.93**	**6944.61**	**8989.28**	**9017.16**	**9899.17**

1.3.4 Non-Tax Revenue

The Non-Tax Revenue which constituted 27 *per cent* of total revenue receipts in 2007-08 decreased by Rs 2,490 crore (32 *per cent*) over previous year. The steep decline in non-tax receipts during the current year was observed mainly on account of inclusion of a credit entry of Rs 3,772 crore (principal amount) in 2006-07 due to one time waiver of special term loans granted by Government of India. Excluding this one time credit entry in 2006-07, an increase of Rs 1,281 crore (32.24 *per cent*) in non-tax revenue was observed in 2007-08 over the previous year. Further, a decrease of Rs 45 crore in credit entry on account of debt relief received under DCRF and Rs 310 crore in interest receipts was observed in the current year when compared with last year.

The component analysis of non-tax receipts of the State during the period 2002-08 reveals that except in 2006-07 when a credit entry of one time waiver of special term loan was included as receipts, gross receipts from state lotteries contributed on an average more than half of total non-tax receipts during the period 2002-08 with increasing share in recent years. Netting the receipts from lotteries against the expenditure incurred reveals only marginal net receipts to State Government varying from Rs 40 crore to Rs 128 crore during the period. Incorporating the gross receipts from State lotteries in non-tax receipts of the State reflects the significant contribution of non-tax receipts in total revenue receipts of the State Government.

The tax and non-tax revenue receipts vis-à-vis assessments made by TFC and the State Government are given below:

Table-1.8 Assessments made by TFC and State Government

(Rupees in crore)

	Assessments made by TFC	Projections made by State Government in FCP	Actuals
	(1)	(2)	(3)
Tax Revenue	10772.68	11073.50	9899.17
Non-Tax Revenue	2095.83	1644.13	1747.92

Since State has made the projections in its FCP net of lotteries, therefore for comparison purposes non-tax revenue *receipts are shown net of lotteries.*

The comparative position reveals that tax revenue remained significantly lower than both the projections made by the TFC as well as by the State Government in its FCP indicating an ample scope of additional resource mobilisation by the State Government through tax efforts. As regards the non-tax revenue, actual receipts were higher (six *per cent*) as compared to the projections made by the State Government but when compared with assessments made by the TFC the same were lower by 17 *per cent*.

1.3.5 Central Tax transfers

The Central Tax transfers which constituted ten *per cent* of revenue receipts increased by Rs 409.24 crore over the previous year. The increase was mainly under Corporation Tax (Rs 138.13 crore), Taxes on Income other than Corporation Tax (Rs 123.96 crore), Customs (Rs 67.93 crore) and Service Tax (Rs 47 crore).

1.3.6 Grants-in-aid

The Grants-in aid from Government of India (GOI) decreased from Rs 2,240 crore in 2006-07 to Rs 2,109 crore in the current year. While there was increase under State plan schemes (Rs 220 crore) this was partly offset by decrease in Non-Plan Grants (Rs 375 crore) mainly under the head 'other grants' and decrease of Rs seven crore under Central Plan Schemes. Details of grants-in-aid from GOI are given in **Table 1.9.**

Table 1.9: Grants-in-aid from GOI

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Grants for State plan schemes	238.86	245.13	202.31	310.22	397.36	617.67
Non-Plan grants	306.35	134.32	186.14	1703.42	1487.85	1112.74
Grants for Central Plan Schemes	4.42	2.78	7.34	5.45	20.78	13.42
Grants for Centrally Sponsored Plan Schemes	125.97	190.86	206.68	194.23	333.66	365.66
Total	**675.60**	**573.09**	**602.47**	**2213.32**	**2239.65**	**2109.49**

1.3.7 Revenue Arrears

The arrears of revenue as on 31 March 2008 stood at Rs 2,513.14 crore in respect of some principal heads of revenue of which Rs 488.99 crore (19.46 *per cent*) were outstanding for more than five years. The revenue arrears during 2007-08 were however Rs 596.50 crore (31 *per cent)* higher than the arrears of Rs 1,916.64 crore pending as on 31 March 2007. Major increase in the arrears was observed under Sales Tax (Rs 486.79 crore). The arrears in 2007-08 pertained mainly to Sales Tax (Rs 2,034.62 crore), Irrigation (Rs 135.87 crore) Taxes & Duties on Electricity (Rs 134.50 crore), Taxes on Vehicles (Rs 111.58 crore) and Interest Receipts (Rs 73.53 crore). Out of total arrears of Rs 2,513.14 crore, an amount of Rs 884.28 crore (35 *per cent*) was in arrear on account of cases pending in courts, while recovery of Rs 1,135.70 crore (45 *per cent*) was under different stages of action. The other reasons advanced for these arrears and amount involved included insolvency (Rs 3.23 crore); paucity of funds (Rs 73.53 crore in respect of two State owned corporations); likely to be written off (Rs 26.32 crore); amounts being recovered in instalments (Rs 5.24 crore) and Rs 1.04 crore was held up for want of rectification. For Rs 381.11 crore in arrears no reasons were furnished.

1.4 Application of resources

1.4.1 Growth of Expenditure

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services, to extend the network of these services through capital expenditure and investments and to discharge their debt service obligations. The total expenditure of the State increased from Rs 15,584 crore in 2002-03 to Rs 25,288 crore in 2007-08. Total expenditure, its annual growth rate and ratio of expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table-1.10.**

Table-1.10: Total Expenditure – Basic Parameters

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Total expenditure (TE)*	15584	17124	18056	19757	21574	25288
Rate of Growth (*per cent*)	5.58	9.88	5.44	9.42	9.20	17.22
TE/GSDP Ratio (*per cent*)	18.93	19.07	18.53	18.00	17.48	18.39
RR /TE Ratio (*per cent*)	71.04	70.89	76.47	85.87	95.33	76.08
Buoyancy of Total Expenditure with reference to :						
GSDP (ratio)	1.68	1.09	0.64	0.75	0.74	1.514
RR (ratio)	0.23	1.02	0.40	0.41	0.43	(-)2.66

* **Total expenditure includes revenue expenditure, capital expenditure and loans and advances.**

The total expenditure during the current year at Rs 25,288 crore has increased by Rs 3,714 crore (17.22 *per cent*) over the previous year. The break-up of total expenditure under revenue and capital heads reveals that revenue expenditure increased by Rs 4,517 crore whereas there was a decrease in capital expenditure (Rs 394 crore) as well as under loans and advances (Rs 409 crore). The bifurcation of total expenditure into plan and non-plan expenditure revealed that the share of plan and non-plan expenditure was 12 *per cent* and 88 *per cent* respectively. The increase in total expenditure was mainly driven by increase in non-plan expenditure (Rs 3,968 crore) accompanied with a decrease of Rs 254 crore in plan expenditure.

Trends in Total Expenditure by Activities: In terms of the activities, total expenditure could be considered as being composed of expenditure on General Services including interest payments, Social and Economic Services, grants-in-aid and loans and advances. Relative share of these components in total expenditure is indicated in **Table-1.11.**

Table-1.11: Components of Expenditure – Relative Share

(in per cent)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
General Services	58.35	54.72	54.84	53.68	48.36	51.52
Of which Interest payments	22.03	21.68	22.05	18.80	19.25	17.90
Social Services	20.82	19.70	20.09	19.98	20.74	19.07
Economic Services	17.24	20.91	24.13	24.28	27.32	27.86
Grants-in-aid	1.42	0.26	0.41	1.89	1.52	1.41
Loans and Advances	2.18	4.42	0.54	0.17	2.06	0.14

The movement of relative share of the various components of expenditure indicated that the share of General Services including interest payment has increased during 2007-08 over the previous year and continued as the dominant portion in the total expenditure. The increase in share of economic services was mainly on account of increase in non-plan expenditure under Major Head-2801- Power. The share of social services remained almost stable with minor inter-year variations while the share of loans and advances consistently declined during the period 2002-08 except 2003-04 and 2006-07 and decreased steeply during the current year.

1.4.2 Incidence of Revenue expenditure

Revenue expenditure had the predominant share varying within the range of 86-95 *per cent* in the total expenditure during 2002-08. Revenue expenditure is incurred to maintain the current level of services and payment, for the past obligations and as such does not result in any addition to the States' infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy are indicated in **Table-1.12.**

Table-1.12: Revenue Expenditure: Basic Parameters

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Expenditure (RE)	14825	15702	17198	18207	18544	23061
Non-Plan Revenue Expenditure (NPRE)	14117 (95)	15087 (96)	16732 (97)	17246 (95)	17563 (95)	21897 (95)
Plan Revenue Expenditure (PRE)	708	615	466	961	981	1164
Rate of Growth (*per cent*)						
Revenue Expenditure	16.64	5.92	9.53	5.87	1.85	24.36
Non-Plan Revenue Expenditure	19.18	6.87	10.90	3.07	1.84	24.68
Plan Revenue Expenditure	(-)18.15	(-)13.14	(-)24.23	106.22	2.08	18.65
RE/TE (*per cent*)	95.13	91.70	95.25	92.15	85.96	91.19
NPRE/GSDP (*per cent*)	17.14	16.80	17.17	15.72	14.23	15.93
NPRE as *per cent* of TE	90.59	88.10	92.67	87.29	81.41	86.59
NPRE as *per cent* of RR	127.51	124.29	121.18	101.65	85.39	113.82
Buoyancy of Revenue Expenditure with						
GSDP (ratio)	5.01	0.65	1.12	0.47	0.15	2.138
Revenue Receipts (ratio)	0.69	0.61	0.69	0.26	0.09	(-)3.77

The revenue expenditure increased by 56 *per cent* from Rs 14,825 crore in 2002-03 to Rs 23,061 crore in 2007-08 and there was a steep increase of Rs 4,517 crore (24 *per cent*) in the current year. The NPRE has shown a consistent increase at an average rate of eight *per cent* over 2002-07 but increased substantially by Rs 4,334 crore (25 *per cent*) in the current year and continued as the dominant portion varying in the narrow range of 95-97 *per cent* of the revenue expenditure. A steep increase of Rs 4,334 crore in NPRE during the current year was mainly on account of rise in the non-plan revenue expenditure under Economic Services (Power Subsidy-Rs 1,424 crore), Miscellaneous General Services (State Lotteries–Rs 1,422 crore), Pension and other retirement benefits (Rs 527 crore due to increase in number of retirees), Interest Payments (Rs 375 crore), General Education (Rs 349 crore mainly due to more expenditure on Government Secondary Schools and increased assistance to non-government colleges/institutes), Secretariat Economic Services (Rs 194 crore) and Police (Rs 169 crore). The Non-plan revenue expenditure at Rs 21,897 crore in 2007-08 was significantly higher than the normative assessment made by TFC (Rs 15,082 crore) and the projections made by the State Government in its own FCP (Rs 16,150 crore).

The plan revenue expenditure which was increased by more than 100 *per cent* during 2005-06 over the year 2004-05 has shown further increase of Rs 20 crore (two *per cent*) during 2006-07 and increase of Rs 183 crore in 2007-08 over respective previous year. Of the total plan revenue expenditure of Rs 1,164 crore in 2007-08, Rs 721 crore is booked under the minor head 'Planning Commission/Planning Board' of Major Head '3451- Secretariat–Economic services'. The fluctuating buoyancy ratios indicate that the revenue expenditure is not solely dependent on the changes in the revenue receipts and the GSDP during the period 2002-08.

1.4.3 Committed Expenditure

1.4.3.1 Expenditure on Salaries

The overall Expenditure on Salaries under Non-Plan head and Plan head are indicated in **Table-1.13.**

Table-1.13: Expenditure on Salaries

(Rupees in crore)

Heads	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Expenditure on Salaries Of which	**4912**	**4825**	**5193**	**5320**	**5647**	**6316**
Non-Plan Head				5153	5470	6161
Plan Head		..		167	177	155
As *per cent* of GSDP	5.97	5.37	5.33	4.85	4.58	4.59
As *per cent* of RR	44.37	39.75	37.61	31.36	27.46	32.83

The expenditure on salaries in **Table 1.13** indicated an increasing trend while both as percentage of GSDP and revenue receipts declining tendency is observed over the period 2002-07. Although the salary expenditure increased sharply during 2007-08 over the previous year but it remained less than the revised estimates of the State Government (Rs 6,684 crore). The total non-plan salary bill relative to revenue expenditure net of interest payments and pension was 38 *per cent* marginally exceeding the norm of 35 *per cent* envisaged by the TFC.

1.4.3.2 Pension Payments

The trends in payment of pensions and their ratio with GSDP, Revenue Receipts and Revenue Expenditure for the period 2002-08 are indicated in **Table 1.14.**

Table 1.14: Expenditure on Pensions

(Rupees in crore)

Heads	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Expenditure on Pensions	1356	1389	1514	1656	1905	2433
Rate of growth	31.01	2.43	8.99	9.38	15.04	27.72
As per cent of GSDP	1.65	1.55	1.55	1.51	1.54	1.77
As per cent of RR	12.25	11.44	10.97	9.76	9.26	12.65
As per cent of RE	9.15	8.85	8.80	9.10	10.27	10.55

The Pension payments during current year have increased by Rs 528 crore recording a growth rate of 28 *per cent* over previous year. The increase was mainly due to more expenditure under 'Superannuation and Retirement Allowances' and 'Gratuities' as number of pensioners increased from 213072 (2006-07) to 234127* (2007-08). The comparative analysis of actual pension payments and the assessment/projections made by TFC and the State Government **(Table 1.15)** reveals that actual pension payments exceeded the projections made by both the TFC and the State Government.

Table 1.15: Actual Pension Payments vis-à-vis Projections

(Rupees in crore)

Assessments made by TFC	Projections of the State Government		Actual Exp on pensions
	FCP	Revised Estimates as per Budget 2008-09	
(1)	(2)	(3)	(4)
1848	1808	2028	2433

* **Source: Director, Pension and Pensioners' Welfare (See Finance Accounts – Foot Note at Page 105)**

With the increase in the number of retirees, the pension liabilities are likely to increase further in future. To meet the increasing pension liabilities, new Contributory Pension Scheme has been introduced by the State with effect from January 2004.

1.4.3.3 Interest payments

Table 1.16: Interest Payments

(Rupees in crore)

Year	Total Revenue Receipts	Total Revenue Expenditure	Interest payments	Percentage of interest payment with reference to	
				Revenue Receipts	Revenue Expenditure
2002-03	11071	14825	3434	31	23
2003-04	12139	15702	3712	31	24
2004-05	13807	17198	3981	29	23
2005-06	16966	18207	3715	22	20
2006-07	20567	18544	4152	20	22
2007-08	19238	23061	4527	24	20

The interest payments increased by nine *per cent* from Rs 4,152 crore in 2006-07 to Rs 4,527 crore in 2007-08. An increase of Rs 375 crore in interest payments in 2007-08 was mainly due to increase in payment of interest on special securities issued to National Small Savings Fund of the Central Government by State Government (Rs 170 crore) and that on market loans (Rs 117 crore). It was observed that interest payments as a percentage of revenue receipts had progressively decreased from 31 *per cent* in 2002-03 to 24 *per cent* in 2007-08. However, it is still beyond the medium term target of 15 *per cent* of Revenue Receipts by 2009-10 envisaged by TFC. Further, interest payments at Rs 4,527 crore during 2007-08 were marginally higher than the projections by the State in its FCP (Rs 4,406 crore) and its revised estimate (Rs 4,355 crore) for the year 2007-08.

1.4.3.4 Subsidies

Though the subsidies are a drain on State finances, the Government is extending subsidies in a big way to the Power and Energy Sector. The trends in the subsidies given by the State Government are given in **Table 1.17.**

Table 1.17: Subsidies

(Rupees in crore)

S.No	Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
1.	Welfare of SC, ST and OBC	8.70	12.08	16.09	18.30	16.36
2.	Agriculture and Allied Activities	0.71	0.63	6.48	6.01	20.97
3.	Power and Energy	1349.19	2170.13	1550.93	1423.80	2848.04
4	Industry and Minerals	-	0.01	0.30	105.00	101.00
5.	Civil Supplies	-	-	-	-	34.29
	Total	**1358.60**	**2182.85**	**1573.80**	**1553.11**	**3020.66**
	Per cent increase (+)/decrease (-)	77.15	60.67	(-)27.90	(-)1.31	94.49
	Per cent in total expenditure	7.93	12.09	7.97	7.20	11.95

The steep increase of Rs 1,424 crore (100 *per cent*) in subsidies during the current year was mainly on enhanced subsidy to power by the State Government. The subsidy to Power and Energy Sector at Rs 2,848 crore as well as the general subsidy (subsidies other than Power and Energy Sector) at Rs 173 crore was more than the projection of Rs 1,583 crore and Rs 11 crore respectively in State's own FCP. The general subsidies are however inclusive of the food subsidy of Rs 34.29 crore against that recommended level of Rs 24.29 crore by the TFC for the year 2007-08.

1.5 Expenditure by Allocative Priorities

1.5.1 Quality of Expenditure

The availability of better social and physical infrastructure in the State reflects its quality of expenditure. Therefore ratio of capital expenditure to total expenditure as well as to GSDP and proportion of revenue expenditure being spent on running efficiently and effectively the existing social and economic services would determine the quality of expenditure. Higher the ratio of these components to total expenditure and GSDP better is quality of expenditure. **Table 1.18** gives these ratios during 2002-08.

Table 1.18: Indicators of Quality of Expenditure

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Capital Expenditure	420.40	664.69	761.40	1516.89	2586.18	2191.60
Revenue Expenditure	14825.12	15701.92	17198.03	18206.73	18543.78	23060.86
Of which Social and Economic Services with	5531.59	6307.09	7273.47	7316.46	7876.60	9812.17
(i) Salary Component	2990.96	3280.20	3461.10	3655.38	3826.83	4222.33
(ii) Non-Salary component	2540.63	3026.89	3812.37	3661.08	4049.77	5589.84
As *per cent* of total expenditure (excluding loans and advances)						
Capital expenditure	2.76	4.06	4.24	7.69	12.24	8.68
Revenue expenditure	97.24	95.94	95.76	92.31	87.76	91.32
As *per cent* of GSDP						
Capital expenditure	0.51	0.74	0.78	1.38	2.10	1.59
Revenue expenditure	18.00	17.48	17.65	16.59	15.03	16.77

The trends in **Table 1.18** reveal that the capital expenditure exhibited increase over the period 2002-07 but it decreased by Rs 394.58 crore (15 *per cent*) in 2007-08 mainly on account of a decline of Rs 1045 crore in plan capital expenditure under the 'Major head 5475-Capital outlay on Other General Economic Services'- minor head 'Statistics' below sub-heads State Level Initiative (Punjab Nirman Programme) and 'Formulation of District Plan at District Headquarters'. The revenue expenditure continues to share the dominant proportion of total expenditure during the period 2002-08 therefore the State Government need to step up its efforts to enhance the capital expenditure to raise it to three *per cent* of GSDP as recommended by TFC to be achieved by all States by 2009-10.

1.5.2 Expenditure on Social Services

Given the fact that the human development indicators such as access to basic education, health services and drinking water and sanitation facilities etc. have a strong linkage with eradication of poverty and economic progress, it would be prudent to make an assessment with regard to the expansion and efficient provision of these services in the State. **Table 1.19** summaries the expenditure incurred by the State Government in expanding and strengthening of social services in the State during 2003-08.

Table 1.19: Expenditure on Social Services

(Rupees in crore)

	2003-04	2004.-05	2005-06	2006-07	2007-08
General Education	**2002.01**	**2063.60**	**2222.74**	**2256.48**	**2634.00**
Revenue Expenditure, *Of which*	2001.93	2047.46	2204.53	2240.82	2590.15
(a) Salary Component	1682.27	1757.64	1820.05	1907.55	2086.91
(b) Non-Salary component	319.66	289.82	384.48	333.27	503.24
Capital Expenditure	0.08	16.14	18.21	15.66	43.85
Health and Family welfare	**610.05**	**609.39**	**698.81**	**698.66**	**761.29**
Revenue Expenditure, *Of which*	608.45	603.79	695.85	689.02	756.47
(a) Salary Component	506.69	542.10	595.31	612.03	672.09
(b) Non-Salary component	101.76	61.69	100.54	76.99	84.38
Capital Expenditure	1.60	5.60	2.96	9.64	4.82
Water Supply, Sanitation, Housing and Urban Development	**275.78**	**359.38**	**524.40**	**683.58**	**735.16**
Revenue Expenditure, *Of which*	275.45	289.23	207.26	346.32	307.12
(a) Salary Component	75.16	88.21	95.00	123.42	151.79
(b) Non-Salary component	200.29	201.02	112.26	222.90	155.33
Capital Expenditure	0.33	70.15	317.14	337.26	428.04
Other Social Services Sports, Art and Culture	**484.25**	**595.30**	**500.44**	**835.52**	**693.22**
Revenue Expenditure, *Of which*	481.86	595.31	494.76	827.56	679.84
(a) Salary Component	164.40	168.67	181.28	192.72	217.51
(b) Non-Salary component	317.46	426.64	313.48	634.84	462.33
Capital Expenditure	2.39	(-) 0.01	5.68	7.96	13.38
Total (Social Services)	**3372.09**	**3627.67**	**3946.39**	**4474.24**	**4823.67**
Revenue Expenditure, *Of which*	3367.69	3535.79	3602.40	4103.72	4333.58
(a) Salary Component	2428.52	2556.62	2691.64	2835.72	3128.30
(b) Non-Salary component	939.17	979.17	910.76	1268.00	1205.28
Capital Expenditure	4.40	91.88	343.99	370.52	490.09

The expenditure on social sector increased from Rs 3,372 crore in 2003-04 to Rs 4,824 crore in 2007-08 indicating the Government's commitment to improve social well being of the society. Revenue expenditure on Social Sector during current year (Rs 4,334 crore) accounted for 17 *per cent* of total expenditure. Expenditure on General Education increased by Rs 378 crore (17 *per cent*) over previous year and increase was observed in its both revenue and capital components. The expenditure on Health and Family Welfare has shown an increase of Rs 63 crore (8.96 *per cent*) over previous year especially in its salary component with a decline in capital expenditure. There was also a decrease of Rs 142 crore in 'Other Social Services' mainly due to reduction in expenditure under Social Welfare and Nutrition.

Recognizing the need to improve the quality of education and health services, TFC recommended that the non-plan salary expenditure under education and health and family welfare should increase only by five to six *per cent* while non-salary expenditure under non-plan heads should increase by 30 *per cent* per annum during the award period. Trends in expenditure (taking expenditure under both plan and non-plan heads) reveal that the salary component under education sector increased by nine *per cent* over 2006-07 while non-salary component increased by 51 *per cent*. Under Health and Family Welfare sector, both its salary and non-salary components increased by 10 *per cent* over the previous year. The expenditure pattern in health services needs correction in the ensuing years to achieve the conformity with the norms of the TFC.

1.5.3 Expenditure on Economic Services

The expenditure on Economic Services includes all such expenditures as to promote directly or indirectly, productive capacity within the States' economy. The expenditure on Economic Services (Rs 7,045 crore) accounted for 28 *per cent* of the total expenditure **(Table 1.20).** Power and Energy consumed 41 *per cent* of Economic Services Expenditure.

Table-1.20: Expenditure on Economic Sector

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Agriculture, Allied Activities	**468.10**	**492.54**	**497.79**	**508.78**	**667.14**
Revenue Expenditure	433.72	471.68	487.32	473.72	662.15
Of which					
(a) Salary Component	255.67	270.54	290.62	298.80	325.63
(b) Non-Salary component	178.05	201.14	196.70	174.92	336.52
Capital Expenditure	34.38	20.86	10.47	35.06	4.99
Irrigation and Flood Control	**572.76**	**676.21**	**898.58**	**877.90**	**978.34**
Revenue Expenditure	491.12	470.88	594.16	519.43	567.67
Of which					
(a) Salary Component	364.34	392.45	427.94	424.11	491.94
(b) Non-Salary component	126.78	78.43	166.22	95.32	75.73
Capital Expenditure	81.64	205.33	304.42	358.47	410.67
Power and Energy	**1712.39**	**2245.32**	**1596.59**	**1447.47**	**2895.20**
Revenue Expenditure	1351.66	2172.94	1551.31	1427.47	2851.06
Of which					
(a) Salary Component	0.41	0.43	0.35	0.35	0.50
(b) Non-Salary component	1351.25	2172.51	1550.96	1427.12	2850.56
Capital Expenditure	360.73	72.38	45.28	20.00	44.14
Transport	**469.41**	**576.13**	**725.23**	**967.76**	**1266.08**
Revenue Expenditure	358.39	443.21	350.78	551.60	363.65
Of which					
(a) Salary Component	121.01	122.86	123.97	129.64	135.35
(b) Non-Salary component	237.38	320.35	226.81	421.96	228.30
Capital Expenditure	111.02	132.92	374.45	416.16	902.43
Other Economic Services	**358.87**	**366.22**	**1078.57**	**2092.81**	**1238.12**
Revenue Expenditure	304.51	178.97	730.49	800.66	1034.06
Of which					
(a) Salary Component	110.25	118.20	120.86	138.21	140.61
(b) Non-Salary component	194.26	60.77	609.63	662.45	893.45
Capital Expenditure	54.36	187.25	348.08	1292.15	204.06
Total (Economic Services)	**3581.53**	**4356.42**	**4796.76**	**5894.72**	**7044.88**
Revenue Expenditure	2939.40	3737.68	3714.06	3772.88	5478.59
Of which					
(a) Salary Component	851.68	904.48	963.74	991.11	1094.03
(b) Non-Salary component	2087.72	2833.20	2750.32	2781.77	4384.56
Capital Expenditure	642.13	618.74	1082.70	2121.84	1566.29

The expenditure on Economic Services has consistently increased at an annual average growth rate of 24 *per cent* from Rs 3,582 crore in 2003-04 to Rs 7,045 crore in 2007-08. Of the total increase of Rs 3,463 crore, the major share was incurred under the head Power and Energy (Rs 1,183 Crore) followed by 'Other General Economic Services' (Rs 879 crore), Transport Services (Rs 797 crore). The expenditure on agriculture and allied activities and irrigation and flood control which remained either almost stable or marginally declined during 2006-07 increased in 2007-08 and increases were observed in revenue expenditure in agriculture and allied activities while under irrigation and flood control increases were both in its revenue and capital components.

Of the total increase of Rs 1,603 crore in non-salary component in 2007-08 over the last year, Rs 1,423 crore was on account of subsidy given to Punjab State Electricity Board. The non-salary component of revenue expenditure under Transport, however, decreased by Rs 194 crore in 2007-08 over the previous year and the decrease (Rs 122 crore) was observed mainly under the Roads and Bridges-State Highways-Road Works. The capital expenditure on economic services has decreased during 2007-08 by Rs 556 crore over the previous year (Rs 2,122 crore) mainly on account of a sharp decrease of Rs 1,045 crore in plan capital expenditure under Punjab Nirman Programme and 'Formulation of District Plan at District Headquarters' booked under the Major Head 5475 'Capital outlay on Other General Economic Services'. An increase of Rs 486 crore on Capital expenditure under Transport in 2007-08 was mainly on account of an increase of Rs 304 crore on Civil Aviation (aerodromes).

1.5.4 Financial Assistance to local bodies and other institutions

The quantum of assistance provided by way of grants to local bodies and others during the five year period 2003-08 is presented in **Table 1.21.**

Table-1.21: Financial Assistance

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Educational Institutions (Aided Schools, Aided Colleges, Universities, Service Provider E.T.T. teachers in rural areas, etc.)	193.88	245.81	230.33	195.88	454.93
Municipal Corporations and Municipalities	-	-	73.77	69.99	28.75
Zila Parishads and Other Panchayati Raj Institutions	-	-	-	162.15	145.11
Development Agencies	0.80	-	-	102.93	2.77
Hospital and Other Charitable Institutions	-	-	-	62.91	62.19
Other Institutions	21.27	106.18	91.14	0.01	-
Total	**215.95**	**351.99**	**395.24**	**593.87**	**693.75**
Assistance as per percentage of RE	1	2	2	3	3

The grants extended to 'Local Bodies and Other Institutions' consistently increased during the period 2003-08. The increase was of the order of Rs 100 crore (17 *per cent*) during the current year. Assistance to educational institutions increased from Rs 195.88 crore to Rs 454.93 crore, which included an increased assistance of Rs 64 crore to non-government colleges, Rs 50 crore to Universities and an assistance of Rs 121 crore to service providers to ETT teachers towards regular services in their pay scales in rural areas. The grants to Municipal Corporations/Committees in 2006-07 included the assistance given in lieu of abolition of octroi in the State while in 2007-08 the assistance to them included only the devolution of share of taxes and duties as recommended by the Third Punjab Finance Commission (TPFC). In this context it is pertinent to mention that as per the statement made by the Finance Minister in his budget speech for the year 2007-08 the implementation of recommendations of the TPFC relating to transfer of resources from the State to Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) involved funds to the tune of Rs 664 crore and added that the same would be transferred to PRIs and ULBs in 2007-08 for assisting them to improve their infrastructure and Civic Services in their areas. However, as per Finance Accounts, actual assistance of Rs 174 crore only was provided to these bodies during the year.

1.5.5 Delay in furnishing utilisation certificates

Against the grants of Rs 693.75 crore released during 2007-08, 225 utilisation certificates for Rs 122.03 crore were awaited. In addition 54 utilisation certificates were awaited for an amount of Rs 101.74 crore in respect of grants released up to 2006-07 which included two utilisation certificate Rs 3.08 crore up to 2001-02. Details of outstanding utilisation certificates are given in ***Appendix 1.7.***

1.5.6 Non-submission of accounts

In order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/Heads of the Department are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions. As of March 2008, departments of the Government have not furnished details for the year.

1.5.7 Position of Accounts/Audit of the autonomous bodies

The audit of accounts of autonomous bodies in the State has been entrusted to the Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts for audit, issuance of Separate Audit Report and its placement in the Legislature is indicated in ***Appendix 1.8***.

1.5.8 Write off of losses, etc

As reported to Audit, losses due to death of animals, fire and irrecoverable advances, *etc* amounting to Rs 0.63 crore in 60 cases were written-off during 2007-08 by competent authorities. The relevant details are given in ***Appendix 1.9***.

1.6 Assets and Liabilities

In the Government accounting system, comprehensive accounting of fixed assets like land and buildings 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. ***Appendix 1.2*** gives an abstract of such liabilities and the assets as on 31 March 2008, compared with the corresponding position on 31 March 2007. While the liabilities consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. In real terms the assets grew by Rs 1,018 crore (4.26 *per cent*) and liabilities increased by Rs 4,841 crore (9.44 *per cent*) over previous year. Thus liabilities grew more than assets in the year. The assets on account of loan to Government servants (Rs 200.82 crore) include Rs 1.62 crore written off by the State Government in respect of deceased employees but amount not adjusted for want of proper sanction.

1.6.1 Financial Analysis of Government Investments

1.6.1.1 Financial Results of Irrigation Works

Statement 3 of Finance Accounts depicts the financial results of nine major irrigation projects with a capital expenditure of Rs 428.58 crore at the end of March 2008, which showed that revenue realised from these projects during 2007-08 (Rs 0.79 crore) was only 0.18 *per cent* of the capital expenditure. This return was not sufficient to cover even the direct working expenses. After meeting the direct working expenditure (Rs 141.05 crore) and interest charges (Rs 21.22 crore), the schemes, however, suffered a net loss of Rs 161.48 crore.

1.6.1.2 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2008 is given in the **Table 1.22.**

Table 1.22: Department-wise Profile of Incomplete Projects

(Rupees in crore)

Department	Number of Incomplete Projects	Initial Budgeted Cost	Revised Total Cost of Projects#	Cost Overruns	Cum. actual expenditure as on 31.3.2008
Irrigation	5	1892	3436	1544	947
B&R	6	15	7	-	9

\# ***In case of one out of five Irrigation projects and in five out of six B&R projects revised cost estimates is not available.***

In four irrigation projects where the costs have been revised, the revision resulted an increase from Rs 1,324 crore to Rs 1,945 crore (Shahpur Kandi Dam Project), Rs 176 crore to Rs 601 crore (SYL Canal Project), Rs 20.38 crore to Rs 32.70 crore (100 NABARD Aided Protects in Kandi Area) and Rs 366 crore to Rs 857 crore (Shri Dashmesh Irrigation Project). Shri Dashmesh Irrigation Project was pending for technical clearance, in case of SYL Canal project the work remained stand still due to water dispute with Haryana State. The expenditure of Rs 738 crore incurred on SYL Canal project has already exceeded even the revised cost (Rs 601 crore). In case of remaining two projects, work has been delayed due to either non-availability of funds or shortage of engineering staff. In case of one B&R project to be completed by July 2007, the cost was revised from Rs 2.14 crore to Rs 6.72 crore and the revised administrative approval was given only in February 2008.

1.6.1.3 Departmental Commercial Undertakings

Activities of quasi-commercial nature are performed by departmental undertakings of certain Government departments. These undertakings are required to prepare annual Proforma Accounts in prescribed format showing the results of financial operations so that Government can assess the results of their working. Punjab Roadways (Transport Department) had not finalised its annual accounts for the year 1999-2000 and onwards. Investment as per 1998-99 accounts was Rs 41.98 crore.

1.6.1.4 Investments and returns

As of 31 March 2008, Government had invested Rs 3,836 crore in Statutory Corporations (Rs 3,187.13 crore), Government Companies (Rs 428.67 crore), Rural Banks, Joint Stock Companies (Rs 1.39 crore) and Co-operatives (Rs 218.46 crore) **(Table 1.23)**. The return on this investment was 0.01 *per cent* to 0.08 *per cent* during 2002-08 while the Government paid interest at the average rate of 7.52 *per cent* to 9.51 *per cent* on its borrowings during 2002-08.

Table-1.23: Return on Investments

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Investments	2352.28	2359.00	3544.81	3718.60	3761.74	3835.65
Return	0.91	1.82	0.59	1.07	1.96	0.40
Per cent of Return	0.04	0.08	0.02	0.03	0.05	0.01
Average interest rate[3]	9.51	9.11	8.79	7.52	8.11	8.46
Difference in *per cent*	9.47	9.03	8.77	7.49	8.06	8.45

Within the group of statutory corporations/boards, 99 *per cent* of State Government's investment is made in four corporations, i.e. Punjab State Electricity Board (Rs 3,010 crore including that Rs 44 crore made in the current year), Pepsu Road Transport Corporation (PRTC) (Rs 87 crore), Punjab Financial Corporation (Rs 29 crore) and Punjab Scheduled Castes Land Development and Finance Corporation (Rs 36 crore). Out of these four major Statutory Corporations involving, first three corporations are incurring losses and their accumulated loss amounted to Rs 6,578 crore (up to the year 2006-07 for which their accounts are finalised) of which losses amounting to Rs 5,981 crore (91 *per cent*) pertain to PSEB alone. The Punjab Scheduled Castes Land Development and Finance Corporation however earned the profit of Rs 18 crore up to 2005-06 for which their accounts are finalised. The investment of Rs 429 crore of State Government was made in 23 Government

[3] **Interest payment/(opening and closing balances of fiscal liabilities/2) x 100.**

Companies, of which only two companies declared dividend aggregating to Rs 0.17 crore.

1.6.1.5 Loans and advances by State Government

In addition to investment in Co-operative societies, Corporations and Companies, Government has also been providing loans and advances to a number of its institutions/organisations. Total outstanding loans and advances as on 31 March 2008 were Rs 4,123 crore **(Table 1.24).** Interest received against these loans advanced was Rs 230 crore (4.76 *per cent)* during 2007-08 as against Rs 526 crore (9.55 *per cent*) in previous year.

Table-1.24: Average Interest Received on Loans Advanced by the State Government

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Opening Balance	5150	5386	5718	5681	5464	5533
Proforma Adjustment	-	-	-	(-) 114	20	-
Amount advanced during the year	339	757	97	34	444	35
Amount repaid during the year	103	105	134	137	395	1445
Closing Balance	5386	6038	5681	5464	5533	4123
Net addition	236	652	(-) 37	(-) 103	49	(-) 1410
Interest Received	817	1368	1863	504	526	230
Interest received as *per cent* to outstanding Loans and advances	15.51	23.95	32.69	9.14	9.55	4.76
Average interest rate (in *per cent*)	9.51	9.11	8.79	7.52	8.11	8.46
Difference between interest paid and received (*per cent*)	(+) 6.00	(+) 14.84	(+) 23.90	(+) 1.62	(+) 1.44	(-) 3.70

The Loans and Advances at the close of the year declined from Rs 6,038 crore (2003-04) to Rs 4,123 crore (2007-08). Sector wise breakup of Loans and Advances of Rs 34.85 crore disbursed during the year reveals that Rs 10.22 crore were advanced to economic sectors (Rs 6.70 crore to Cooperative Sugar Mills, Rs 3.52 crore for Micro Irrigation) and remaining Rs 24.63 crore (71 *per cent*) to Government Servants. While the recoverable amount of loans and advances at the end of March 2008 decreased by 25 *per cent*, the decrease in interest received during the current year was 56 *per cent* (Rs 296 crore) over the last year and was mainly attributable to decrease of Rs 273 crore relating to loans to Electricity Boards-Other Loans.

Against loans to municipal corporations and municipalities, etc., the detailed accounts of which are maintained by the Accountant General (A&E), recovery of Rs 103.35 crore (including Rs 20.22 crore as interest) was overdue at the end of 2007-08 as shown in **Table 1.25**:

Table-1.25: Loan advanced to Local Bodies

(Rupees in crore)

Borrower/Purpose of loans		Earliest year from which in default	Amount overdue on 31 March 2008	
			Principal	Interest
A	**Municipal Corporations, Municipalities and other Local Funds**			
a)	Sanitation Schemes	1996-97	0.19	0.17
b)	Sewerage Schemes	1991-92	0.35	0.50
c)	Water Supply Schemes	1993-94	13.64	18.42
d)	Integrated Urban development Programmes	2006-07	1.04	0.09
e)	Other purposes	2006-07	66.16	0.60
f)	Local Bodies of erstwhile PEPSU	1997-98	0.35	0.31
g)	Slum Clearance	2006-07	1.40	0.13
B	**Loans to Rulers of Erstwhile States**	1993-94	-(*)[4]	-(*)
	Total		**83.13**	**20.22**

Reasons for non-repayment of these outstanding amounts have not been furnished by the concerned government departments.

1.6.2 Management of cash balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and expenditure obligations, a mechanism of Ways and Means Advances (WMA) – ordinary and special – from Reserve Bank of India has been put in place. The operative limit for Normal Ways and Means Advances is reckoned on the three year average of revenue receipts and the operative limit for Special Ways and Means Advances is fixed by Reserve Bank of India from time to time depending on the holding of Government securities. The Government obtained ways and means advances for Rs 388.43 crore during the current year. Ways and Means Advances and Overdrafts availed, the number of occasions it was availed and interest paid by the State during 2002-08 is detailed in **Table 1.26.** The State Government's cash balances at the close of the current year amounted to Rs 1,101.28 crore. The major portion of which Rs 722.67 crore is invested in Treasury Bills and Rs 101.98 crore in Securities of the Government of India and earned an interest of Rs 15.84 crore during the year.

[4] *** = Figures less than one lakh.**

Table 1.26: Ways and Means and overdrafts of the State and interest paid thereon

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Ways and Means Advances						
Availed in the Year	3127.90	2773.84	3065.82	269.17	-	388.43
Number of Occasions	87	81	90	18	-	40
Outstanding WMAs, if any	185.79	261.83	283.90	-	-	-
Interest Paid	9.45	12.29	9.69	2.99	-	0.58
Number of Days	189	158	156	22	-	40
Overdraft						
Availed in the year	640.74	1811.06	1316.70	-	-	-
Number of Occasions	34	69	56	-	-	-
Number of Days	53	134	117	-	-	-
Interest Paid	1.43	1.84	2.04	-	-	-

1.7 Un-discharged Liabilities

As per Punjab FRBM Act 2003, "total liabilities" means the liabilities under the Consolidated Fund of the State and the Public Account of the State referred to in Article 266 of the Constitution of India.

1.7.1 Fiscal Liabilities – Public Debt and Guarantees

There are two sets of liabilities namely, public debt and other liabilities. Public debt consists of internal debt of the State and is reported in the Annual Financial Statements under the Consolidated Fund–Capital Accounts. It includes market loans, special securities issued by RBI and loans and advances from the Central Government. The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed. Other liabilities, which are a part of public account, include deposits under small savings scheme, provident funds and other deposits. **Table-1.27** gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

Table-1.27: Fiscal Liabilities – Basic Parameters

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Fiscal Liabilities[5]	38315	43197	47403	51364	51035	55982
Rate of Growth (*per cent*)	12.95	12.74	9.74	8.36	(-) 0.64	9.69
Ratio of Fiscal Liabilities to						
GSDP (*per cent*)	46.53	48.09	48.64	46.81	41.36	40.72
Revenue Receipts (*per cent*)	346.08	355.85	343.33	302.75	248.14	291.00
Own Resources (*per cent*)	393.1	399.53	385.30	379.77	304.47	369.44
Buoyancy of Fiscal Liabilities to						
GSDP (ratio)	3.90	1.40	1.15	0.66	(-)0.05	0.85
Revenue Receipts (ratio)	0.54	1.32	0.71	0.37	(-)0.03	(-)1.50
Own Resources (ratio)	0.51	1.17	0.71	0.84	(-)0.03	(-) 1.01

Overall fiscal liabilities of the State increased from Rs 38,315 crore in 2002-03 to Rs 55,982 crore in 2007-08. Fiscal Liabilities of the State comprised Consolidated Fund liabilities and Public Account liabilities. The Consolidated Fund liability (Rs 44,310 crore) comprised of market loan (Internal debt) (Rs 41,025 crore) and loan from Government of India (Rs 3,285 crore). The Public Account liabilities (Rs 11,672 crore) comprise of Small Savings, Provident Fund (Rs 8,370 crore), interest bearing obligation (Rs 2,046 crore) and non-interest obligation like deposits and other earmarked funds (Rs 1,256 crore). The fiscal liabilities of the State have increased by Rs 4,947 crore during 2007-08 over the previous year mainly due to increase of Rs 3,872 crore (10 *per cent*) in market loan. However, the ratio of fiscal liabilities of GSDP at 41 *per cent* in 2007-08 seems to be on the higher side in view of the target of bringing the ratio of total liabilities to GSDP to 28 *per cent* by 2009-10 as prescribed in the Punjab FRBM Act 2003 as amended in 2005. These liabilities stood at 2.91 times of revenue receipts and 3.69 times of the State's own resources as at the end of 2007-08. The buoyancy of these liabilities with respect to GSDP during the year was 0.85.

1.7.1.1 Arrangements for amortization

Government has constituted a Sinking Fund for loans raised by it in the open market. This *Fund* consists of two components i.e. Sinking Fund (depreciation) and Sinking Fund (Amortisation). The rate of contribution to these two components of sinking fund was prescribed by the State Government as under:

(a) **Sinking Fund (Depreciation)**-A sum not exceeding 1.5 *per cent* of the total amount of loans could, if necessary, be set apart from the revenue each year to a depreciation Fund for purchasing securities of the loans for cancellation.

[5] **Includes internal debt (market loans, loans from NSSF and loans from other financial institutions), loans and advances from GOI, the liabilities arising from the transactions in the Public Account of the State.**

(b) **Sinking Fund (Amortization)**-In addition to the annual contribution to the respective depreciation Fund, annual contributions are to be made to Sinking Funds from revenues for amortization of loans at such rates as Government may decide from time to time.

While in its budget for 2008-09, the Government mentioned having made investment of Rs 10 Crore in Sinking Fund during 2007-08, the Finance Accounts revealed that no contribution was, however, made during 2007-08 and there were no balances in these two components of the sinking fund at the commencement and at the end of 2007-08. It implies that Government has not operationalized the sinking fund so far despite the specific recommendations of the TFC in this regard.

1.7.2 Status of Guarantees – Contingent liabilities

Guarantees are contingent liabilities on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. As per Statement 6 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees at the end of year since 2002-03 is given in **Table 1.28.**

Punjab FRBM Act, 2003, as amended in 2005, provides that the State Government shall cap outstanding guarantees on long-term debt to 80 *per cent* of revenue receipts of the previous year, guarantees on short-term debt to be given only for working capital or food credit in which case this must be fully backed by physical stock. According to the information furnished by concerned authorities, the Government of Punjab had given guarantees during the period 2002-08 for repayment of loans etc. raised by statutory corporations/boards, local bodies, co-operative banks and societies and others as tabled below in **Table 1.28.**

Table-1.28: Guarantees given by the Government of Punjab

(Rupees in crore)

Year	Maximum amount guaranteed	Outstanding amount of guarantees			Revenue Receipts	Maximum amount guaranteed to total revenue receipt (percentage)
		Principal	Interest	Total		
2002-03	17720	13255	479	13734	11071	160
2003-04	22951	12149	93	12242	12139	189
2004-05	23420	8781	104	8885	13807	170
2005-06	22086	8819	32	8851	16966	130
2006-07	25697	13860	59	13919	20567	125
2007-08	26094	10991	23	11014	19238	136

The amount of outstanding guarantees (Rs 11,014 crore) as of March 2008 was 54 *per cent* of the revenue receipts of the previous year (2006-07) which was within the limit of 80 *per cent* as prescribed in Punjab FRBM Act 2003 as amended. In consideration of the guarantees given by the Government, the Government charges guarantee fee from the loanee institutions at the following rates :(i) Guarantees given up to 14 November 1983: 0.50 *per cent* on the total amount of guarantee given by the government during the year and (ii) Guarantees given on or after 15 November 1983: In respect of first year

0.50 *per cent* for the period up to 31 March before the issue of orders in lump. For subsequent three years at 0.50 *per cent* annually in respect of the amount outstanding as on 1st April of the succeeding financial year. In case period of guarantee exceeds four years no guarantee fee is recovered for the remaining period. Presently the State Government is charging guarantee fee ranging between zero to two *per cent*. The total amount of guarantee fee received increased from Rs 12.02 crore to Rs 49.93 crore. Information regarding the guarantee fee in arrear and guarantee fee waived off was not furnished (June 2008).

While in its budget for 2008-09, the Government mentioned having made investment of Rs 12 crore in Guarantee Redemption Fund during the year 2007-08, the Finance Accounts revealed that the Government has not set up a Guarantee Redemption Fund (GRF) so far despite the recommendations of TFC. It was observed that the record of payment of guarantee fee to the Government in accordance with rate as laid down in the sanction by the competent authority by corporation/body is not maintained transparently by the Government. Thus it is not possible to track the records of guarantee fee etc. received by the State Government and it is difficult to verify the correctness of the figures of the receipts on account of guarantees. This reflects the lack of effective control and monitoring of the guarantees given by the State Government.

1.8 Debt Sustainability

The debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt. A pre-condition for debt sustainability is the debt stabilisation in terms of debt/GSDP ratio.

1.8.1 Debt Stabilisation

A necessary condition for stability is that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt*rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilise eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling. Trends in fiscal variables indicating the progress towards the debt stabilization are indicated in **Table 1.29.**

Table 1.29: Debt Sustainability- Interest Rate and GSDP Growth

(in per cent)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Average Interest Rate	9.51	9.11	8.79	7.52	8.11	8.46
GSDP Growth	3.32	9.08	8.50	12.60	12.45	11.42
Interest spread	(-)6.19	(-)0.03	(-)0.29	(+)5.08	(+)4.34	(+)2.96
Quantum spread (Rs in crore)	(-)2100	(-)11	(-)125	(+)2408	(+)2229	(+)1511
Primary deficit (-)/ Surplus (+)	(-)976	(-)1168	(-)134	(+)1061	(+)3540	(-)76.95

Table 1.29 reveals that quantum spread together with primary deficit has been consistently negative during 2002-05 and 2007-08 indicating rising debt-GSDP ratio during the period. Debt- GSDP has increased steadily from 46.53 *per cent* in 2002-03 to 48.64 *per cent* in 2004-05 **(Table 1.27)**. The sum of quantum spread and primary deficit has turned into positive since 2005-06 reflecting the decreasing tendency of debt-GSDP ratio.

1.8.2 Sufficiency of Non-debt Receipts

Another indicator for debt stability and its sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. **Table 1.30** indicates the resource gap as defined for the period 2002-08.

Table 1.30: Incremental revenue receipts and Revenue Expenditure

(Rupees in crore)

Period	Incremental				Resource Gap
	Non-Debt Receipts	Primary Expenditure	Interest Payments	Total Expenditure	
2002-03	1373	568	256	824	(+)549
2003-04	1070	1262	278	1540	(-)470
2004-05	1697	663	269	932	(+)765
2005-06	3162	1967	(-)266	1701	(+)1461
2006-07	3859	1380	437	1817	(+)2042
2007-08	(-) 278	3339	375	3714	(-) 3992

The negative resource gap indicates the non-sustainability of debt while the positive resource gap indicates the capacity to sustain the debt. The positive resource gap between incremental non-debt receipts and the corresponding incremental total expenditure of the State during 2004-07 indicates enhancement in the capacity of the State to sustain the higher level of debt. The huge negative resource gap appeared in 2007-08 and if it persists in ensuing years, the state's capacity to sustain the additional debt liabilities would tend to deteriorate.

1.8.3 Net Availability of Borrowed Funds

The debt sustainability of the State also depends on (i) the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and (ii) application of available borrowed funds. The ratio of debt redemption to debt receipts indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds. The solution to the Government debt problem lies in application of borrowed funds, i.e. they are (a) not used for financing revenue expenditure; and (b) used efficiently and productively for capital expenditure which either provides returns directly or results in increased productivity of the economy in general which may result in increase in government revenue.

Table 1.31 gives the position of the receipt and repayment of internal debt and other fiscal liabilities of the State as well as the net availability of the borrowed funds over the last five years.

Table-1.31: Net Availability of Borrowed Funds

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Internal Debt						
Receipt	5827	6795	5813	4837	4254	5621
Repayment (Principal + Interest)	2365	2269	3054	3610	4308	1781
Net Fund Available	3462	4526	2759	1227	(-) 54	3840
Net Fund Available (*per cent*)	59.4	66.61	47.46	25.37	(-) 1.27	68.32
Loans and Advances from GOI						
Receipt	419	542	548	24	21	430
Repayment (Principal + Interest)	2623	3944	3051	503	4269	615
Net Fund Available	(-) 2204	(-) 3402	(-) 2503	(-) 479	(-) 4248	(-)185
Net Fund Available (*per cent*)	(-) 526.01	(-) 627.68	(-) 456.75	(-) 1996	(-) 20229	(-)43
Other Obligations						
Receipt	2594	2585	3462	3337	4198	5121
Repayment (Principal + Interest)	2507	2170	2665	3360	4134	4966
Net Fund Available	87	415	797	(-) 23	64	155
Net Fund Available (*per cent*)	3.35	16.05	23.02	(-) 0.69	1.52	3.03
Total Liabilities						
Receipt	8840	9922	9823	8198	8473	11172
Repayment (Principal + Interest)	7495	8383	8770	7473	12711	7362
Net Fund Available	1345	1539	1053	725	(-) 4238	3810
Net Fund Available (*per cent*)	15.21	15.51	10.71	8.84	(-) 50.01	34.10

The net funds available on account of the internal debt and loans and advances from GOI and other obligations after providing for the interest and repayments of the principal increased from (-) 50 *per cent* in 2006-07 to 34.10 *per cent* in 2007-08 indicating less payments over the receipts during the year. The State Government raised the internal debt amounting to Rs 5621 crore comprising of market loans (Rs 4,121 crore), securities issued to NSSF (Rs 729 crore), Ways and Means Advances from RBI (Rs 388 crore) and NABARD (Rs 383 crore). Against these receipts, Government discharged the past debt obligations (principal + interest) amounting to Rs 1,781 crore resulting in net funds to the extent of 68 *per cent* of debt receipts available under the internal debt account. During the current year the Government repaid GOI loans including interests amounting to Rs 615 crore against the receipts of Rs 430 crore and also discharged other obligations of Rs 4,966 crore along with interest obligations against the receipts of Rs 5,121 crore. These transactions resulted in total net availability of funds of Rs 3,810 crore during the year. The expenditure pattern of the State during the current year indicates that borrowed funds are used for financing the revenue expenditure.

1.9 Management of deficits

The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised and applied are important pointers to its fiscal health.

1.9.1 Trends in Deficits

The revenue deficit of the State which indicates the excess of its revenue expenditure over revenue receipts decreased from the deficit of Rs 3,754 crore in 2002-03 to Rs 1,241 crore in 2005-06 and turned into a surplus of Rs 2,023 crore in 2006-07. The revenue account however again turned into a huge deficit of Rs 3,823 crore during 2007-08 due to decline in revenue receipts by Rs 1,329 crore (6.46 *per cent*) and increase in revenue expenditure by Rs 4,517 crore (24 *per cent*) over the previous year. In fact, revenue surplus in 2006-07 was possible mainly on account of inclusion of a credit entry of Rs 3,772 crore (principal amount) in 2006-07 due to one time waiver of special term loans granted by Government of India which disappeared during current year resulting in deteriorating fiscal position of the State.

Table-1.32: Fiscal Imbalances: Basic Parameters

(Rupees in crore)

Parameters	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue deficit (-) / Revenue Surplus(+)	(-)3754	(-)3563	(-)3391	(-)1241	(+) 2023	(-)3823
Fiscal deficit(-)/ Fiscal Surplus(+)	(-)4410	(-)4880	(-)4115	(-)2654	(-)612	(-)4604
Primary deficit (-)/ Primary Surplus(+)	(-) 976	(-)1168	(-)134	(+)1061	(+)3540	(-)77
RD/GSDP (*per cent*)	(-)4.56	(-)3.97	(-)3.48	(-)1.13	(+) 1.64	(-)2.78
FD/GSDP (*per cent*)	(-)17.5	(-)5.43	(-)4.22	(-)2.42	(-)0.50	(-)3.35
PD/GSDP (*per cent*)	(-)1.19	(-)1.30	(-)0.13	(-)0.97	(+)2.87	(-)0.06
RD/FD (*per cent*)	85.12	73.01	82.41	46.76	*	83.04

* **There was a surplus of Rs 2,023 crore in revenue account during 2006-07.**

The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, also increased from Rs 4,410 crore in 2002-03 to Rs 4,604 crore in 2007-08 with wide inter-year variations.

The primary deficit of the State with inter year variations till 2004-05 turned into surplus of Rs 1,061 crore in 2005-06 and Rs 3,540 crore in 2006-07. The huge fiscal deficit in 2007-08 turned the primary surplus of Rs 3,540 crore in 2006-07 into a primary deficit of Rs 77 crore despite the increase of Rs 375 crore in interest payments during the current year.

1.9.2 Quality of Deficit/Surplus

The ratio of RD to FD and the decomposition of Primary deficit into primary revenue deficit[6] and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. The ratio of RD to FD which fluctuated during the period 2002-05 was reduced very steeply to 46.76 during 2005-06 and RD was wiped out and turned into surplus during 2006-07. Due to huge revenue deficit of Rs 3,823 crore in 2007-08, the ratio again rose steeply to 83.04 in the current year indicating deterioration in quality of deficit in state finances.

The bifurcation of the factors resulting into primary deficit or surplus of the State during the period 2002-08 reveals (**Table 1.33**) that except in 2002-03, the primary deficit during this period was on account of capital expenditure incurred and loans and advances disbursed by the State Government. In other words, non-debt receipts of the State were enough to meet the primary expenditure[7] requirements in the revenue account, rather left some receipts to meet the expenditure under the capital account and loans and advances except in 2002-03. But the surplus non-debt receipts were not enough to meet the expenditure requirements under capital account resulting in primary deficit during 2002-05 and 2007-08. This indicates the extent to which the primary deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table 1.33: Primary deficit / surplus - Bifurcation of factors

(Rupees in crore)

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure including Loans and Advances	Primary revenue deficit (-) / surplus (+)	Primary deficit (-) / surplus (+)
1	2	3	4	5	6
2002-03	11174	11391	759	(-)217	(-)976
2003-04	12244	11990	1422	(+)254	(-)1168
2004-05	13941	13217	858	(+)724	(-)134
2005-06	17103	14492	1550	(+)2611	(+)1061
2006-07	20962	14392	3030	(+)6570	(+)3540
2007-08	20684	18534	2227	(+)2150	(-)77

6 **Primary revenue deficit is defined as gap between non-interest revenue expenditure of the State and its non-debt receipts indicates the extent to which the non-debt receipts of the State are able to meet the primary expenditure incurred under revenue account.**

7 **Primary expenditure of the State defined as the total expenditure net of the interest payments indicates the expenditure incurred on the transactions undertaken during the year.**

1.10 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. **Table-1.34** presents a summarised position of Government finances over 2002-08, with reference to certain key indicators that help to assess the adequacy and effectiveness of available resources and their applications, highlights areas of concern and captures its important facts.

Table-1.34: Indicators of Fiscal Health

(in per cent)

Fiscal Indicators	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
1	2	3	4	5	6	7
I Resource Mobilization						
Revenue Receipt/GSDP	13.45	13.52	14.17	15.46	16.67	13.99
Revenue Buoyancy	6.47	1.11	1.83	2.72	2.33	(-)6.46
Own Tax/GSDP	6.94	6.84	7.13	8.19	7.31	7.20
II Expenditure Management						
Total Expenditure/GSDP	18.93	19.07	18.53	18.00	17.48	18.39
Total Expenditure/Revenue Receipts	140.76	141.07	130.77	116.45	104.90	131.45
Revenue Expenditure/Total Expenditure	95.13	91.70	95.25	92.15	85.96	91.19
Salary &Wage expenditure on Social and Economic Services / Revenue Expenditure	20.17	20.89	20.12	20.07	20.64	18.18
Non-Salary &Wage expenditure on Social and Economic Services / Revenue Expenditure	17.14	19.28	22.17	20.11	21.84	24.37
Capital Expenditure/Total Expenditure	2.69	3.89	4.21	7.68	11.99	8.66
Capital Expenditure on Social and Economic Services/Total Expenditure.	2.57	3.78	3.94	7.22	11.55	8.13
Buoyancy of TE with RR	0.23	1.02	0.40	0.41	0.43	(-)2.66
Buoyancy of RE with RR	0.69	0.61	0.69	0.26	0.09	(-)3.77
III Management of Fiscal Imbalances						
Revenue deficit (-)/Revenue Surplus(+)	(-)3754	(-)3563	(-)3391	(-)1241	(+) 2023	(-)3823
Fiscal deficit (-)/Fiscal Surplus(+)	(-)4410	(-)4880	(-)4115	(-)2654	(-)612	(-)4604
Primary Deficit (-)/Primary Surplus(+)	(-) 976	(-) 1168	(-) 134	(+)1061	(+) 3540	(-)77
Revenue Deficit/Fiscal Deficit	85.12	73.01	82.41	46.76	(-)330.56	83.04
IV Management of Fiscal Liabilities						
Fiscal Liabilities/GSDP	46.53	48.09	48.64	46.81	41.36	40.73
Fiscal Liabilities/RR	346.08	355.85	343.33	302.75	248.14	291.00
Buoyancy of FL with RR	0.54	1.32	0.71	0.37	(-) 0.03	(-)1.50
Buoyancy of FL with Own Receipt	0.51	1.17	0.71	0.84	(-) 0.03	(-)1.01
Primary deficit vis-à-vis quantum spread	(-)46.48	(-)10618.18	(-)107.20	44.06	(-)158.82	(-)5.09
Net Funds Available	15.21	15.51	10.71	8.84	(-) 50.01	34.10
V Other Fiscal Health Indicators						
Return on Investment	0.04	0.08	0.02	0.03	0.05	0.01
Balance from Current Revenue (Rs in crore)	(-) 3415	(-) 3387	(-) 3341	(-) 790	2252	(-)3656
Financial Assets/Liabilities	45.03	42.97	40.89	43.01	46.59	44.38

The ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of the revenue receipts indicates the nature of the tax regime and the State's increasing access to resources. Revenue receipts are comprised not only of the tax and non-tax resources of the State but also the transfers from Union Government. The ratio of revenue receipts to GSDP during the current year is 14 *per cent*, a decrease of three percentage points over previous year. The ratio of own taxes to GSDP showed inter-year variations during 2002-08 indicating a decline of 0.09 percentage points in the current year over the previous year. This fall in State's tax GSDP ratio was mainly because of the fact that the revenue from State's own taxes grew by 9.78 *per cent* (Rs 882 crore) over the previous year and non-tax revenue decreased by 32.16 *per cent* (Rs 2,490.61 crore) giving overall decrease of 6.46 *per cent* as against the increase of 11.18 *per cent* in GSDP during 2007-08.

Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resource mobilization efforts. The revenue expenditure as a percentage to total expenditure remained dominant and varied within the narrow range of 86-95 *per cent* during 2002-08. Although ratio of capital expenditure to total expenditure remained relatively lower during 2002-05 but it picked up steeply in 2005-06 and 2006-07 and declined by 3.33 *percentage points* in 2007-08. Relative to GSDP, the ratio of capital expenditure was only 1.59 in 2007-08 which is far below the target of three *per cent* recommended by TFC to be achieved by all States by 2009-10.

The fiscal position of the state viewed in terms of fiscal indicators has deteriorated during the current year as there is a sharp decrease in Balance from Current Revenue (BCR) from to a surplus of Rs 2,252 crore during 2006-07 to a deficit of Rs 3,656 crore in 2007-08 accompanied with worsening deficit indicators. This is also reflected in the assets losing to financial liabilities of the State by more than two percentage points in the current year.

1.11 Conclusion

The fiscal position of the State viewed in terms of the trends in key fiscal parameters–revenue, fiscal and primary deficit/surplus–indicates market deterioration in 2007-08 over the previous year. The worsening fiscal position was observed mainly on account of a decline in revenue receipts by Rs 1,329 crore (6.46 *per cent*) and increase in revenue expenditure by Rs 4,517 crore (24 *per cent*) in 2007-08 over the previous year. In fact, a favorable fiscal position in 2006-07 was mainly on account of inclusion of a credit entry of Rs 3,772 crore (principal amount) in 2006-07 due to one time waiver of special term loans granted by Government of India which disappeared during current year resulting in deteriorating fiscal position of the State. The expenditure pattern of the State reveals that the revenue expenditure continued to constitute the dominant share (91 *per cent*) in total expenditure during 2007-08 as a result of which 56 *per cent* of fiscal liabilities of the State were still without the asset backup during the year. Moreover, its NPRE component at Rs 21,897 crore in 2007-08 remained significantly higher than the normative assessment of Rs 15,082 crore made by TFC for the year. Further salaries, pension liabilities, interest payments and subsidies – constitute about 74 *per cent* of the NPRE during 2007-08. The capital expenditure not only declined by Rs 395 crore in 2007-08 from the level of Rs 2,586 crore in previous year but relative to GSDP it remained at 1.59 *per cent* far below the target of three *per cent* recommended by TFC to be achieved by all States by 2009-10. The fiscal liabilities relative to GSDP at 41 *per cent* in 2007-08 appears to be on the higher side especially in view of the target laid down in Punjab FRBM Act 2003 as amended in 2005 to contain the ratio of total liabilities to GSDP to 28 *per cent* by 2009-10.

CHAPTER-II

APPROPRIATION AND CONTROL OVER EXPENDITURE

CHAPTER-II

APPROPRIATION AND CONTROL OVER EXPENDITURE

2.1 Introduction

The Appropriation Accounts prepared annually indicate capital and revenue expenditure on various specified services vis-à-vis those authorised by the Appropriation Act in respect of both charged and voted items of budget.

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

2.2 Summary of appropriation accounts

The summarised position of actual expenditure during 2007-08 against the total of 30 grants/appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original grants/ appropriations	Supplementary grant/ appropriation	Total	Actual expenditure	(-)Saving (+) Excess
Voted	I. Revenue	20198.60	1192.23	21390.83	18972.65	-2418.18
	II. Capital	4174.10	69.18	4243.28	2297.66	-1945.62
	III. Loans & Advances	18.20	9.52	27.72	24.63	-3.09
Total Voted		**24390.90**	**1270.93**	**25661.83**	**21294.94**	**-4366.89**
Charged	V. Revenue	4398.30	3.57	4401.87	4570.08	+168.21
	VI. Capital	0	0	0	0.02	+0.02
	VII. Public Debt	1679.53	0	1679.53	2107.65	+428.12
Total Charged		**6077.83**	**3.57**	**6081.40**	**6677.75**	**+596.35**
Grand Total		**30468.73**	**1274.50**	**31743.23**	**27972.69**	**-3770.54**

***Note: -** The expenditure includes the recoveries adjusted as reduction of expenditure under revenue expenditure Rs 481.87 crore and capital expenditure Rs 95.87 crore.*

The overall savings of Rs 3,770.54 crore as mentioned above were the net result of savings of Rs 4,665.88 crore in 65 cases and appropriations offset by excess of Rs 895.34 crore in seven cases of grants and appropriations. The savings/excesses (Detailed Appropriation Accounts) were sent to the Controlling Officers requiring them to explain the significant variations; these had not been received (August 2008).

2.3 Savings and excesses

2.3.1 Appropriation by allocative priorities

Out of the savings of Rs 4,665.88 crore, as much as 91.72 *per cent* (Rs 4,279.75 crore) occurred in 15 grants as mentioned below: ***(Rupees in crore)***

Grant No.	Original	Supplementary	Total Grant	Actual Expenditure	Saving
01-Agriculture and Forests-Revenue (Voted)	526.12	2.06	528.18	413.22	114.96
02-Animal Husbandry and Fisheries-Revenue (Voted)	250.14	26.95	277.09	196.57	80.52
02-Animal Husbandry and Fisheries-Capital (Voted)	9.70	13.80	23.50	0.19	23.31
03-Co-Operation-Revenue (Voted)	103.10	2.69	105.79	57.01	48.78
05-Education-Revenue (Voted)	2888.57	8.26	2896.83	2647.09	249.74
05-Education-Capital (Voted)	197.72	10.00	207.72	9.88	197.84
08-Finance-Revenue (Voted)	6679.79	0	6679.79	5971.97	707.82
09-Food and Supplies-Revenue (Voted)	311.49	0	311.49	87.85	223.64
11-Health and Family Welfare-Revenue (Voted)	868.46	0	868.46	782.12	86.34
12-Home Affairs and Justice-Capital (Voted)	111.12	30.04	141.16	73.48	67.68
15-Irrigation and Power-Revenue (Voted)	2666.20	844.52	3510.72	3502.61	8.11
15-Irrigation and Power-Capital (Voted)	851.53	6.00	857.53	509.46	348.07
17-Local Government, Housing and Urban Development-Revenue (Voted)	144.93	81.96	226.89	114.56	112.33
17-Local Government, Housing and Urban Development-Capital (Voted)	444.64	0	444.64	272.70	171.94
19-Planning-Capital (Voted)	185.71	0	185.71	101.86	83.85
21-Public Works-Capital (Voted)	1840.10	0	1840.10	1172.01	668.09
22-Revenue and Rehabilitation-Revenue (Voted)	725.97	0	725.97	530.46	195.51
23-Rural Development and Panchayats-Revenue (Voted)	841.93	65.06	906.99	331.60	575.39
23-Rural Development and Panchayats-Capital (Voted)	317.05	0	317.05	102.00	215.05
25-Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes-Revenue (Voted)	253.21	0	253.21	152.43	100.78
Total	**20217.48**	**1091.34**	**21308.82**	**17029.07**	**4279.75**

Departments did not intimate reasons for savings. Areas in which major savings occurred in these 15 grants are given in ***Appendix-2.1***.

2.3.2 Persistent savings

In nine cases, involving five grants/appropriations, there were persistent savings of more than Rupees five crore in each case and 20 *per cent* or more of provision. Details are given in ***Appendix-2.2***. Under three[1] centrally sponsored schemes, there were savings of 100 *per cent* during the last three years.

2.3.3 Original budget and supplementary provisions

Supplementary provisions of Rs 1,274.50 crore were made during this year. It included supplementary provisions of Rs 1,192.23 crore under Revenue (Voted) which constituted 93.54 *per cent* of the total supplementary provisions.

2.3.4 Unnecessary/excessive/inadequate supplementary provisions

Supplementary provisions of Rs 266.40 crore made in 20 cases during the year proved unnecessary in view of aggregate saving of Rs 1,876.52 crore. Details are given in ***Appendix-2.3***.

In three cases, against additional requirement of only Rs 12.37 crore, supplementary grants of Rs 34.32 crore were obtained, resulting in savings in each case exceeding Rs 2.50 crore, aggregating Rs 21.95 crore. Details are given in ***Appendix-2.4***.

As mentioned below, supplementary provision of Rs 3.05 crore proved insufficient leaving an uncovered excess expenditure of Rs 2.84 crore.

(Rupees in crore)

	No. and name of Grant/ Appropriation	Original Grant	Supplementary grant	Total	Expenditure	Excess
Revenue (Charged)						
1.	12-Home Affairs and Justice	15.59	3.05	18.64	21.48	+2.84
	TOTAL	**15.59**	**3.05**	**18.64**	**21.48**	**+2.84**

2.3.5 Anticipated savings not surrendered

As per Rule 17.20 of Punjab Financial Rules, the spending departments are required to surrender the grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. However, at the close of the year 2007-08, there were 25 cases in which savings ranging between Rs 1.60 crore and Rs 668.09 crore amounting to Rs 1,971.92 crore had not been surrendered. In 19 cases, even after partial surrender, savings ranging between Rupees one crore and Rs 221.23 crore aggregating to

[1] **(i) 4217-Capital Outlay on Urban Development–Prevention of Pollution of River Sutlej–Cost of land (CSS), (ii) 4515-Capital Outlay on Other Rural Development Programmes–Sampuran Gramin Rozgar Yojana (CSS) and (iii) 4515-Capital Outlay on Other Rural Development Programmes–Indira Awas Yojana (CSS).**

Rs 1,299.88 crore (80.16 *per cent* of total savings in these grants) were not surrendered. Details are given in ***Appendix-2.5** and **2.6*** respectively.

2.3.6 Excess expenditure over provision of previous years, requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, excess expenditure amounting to Rs 4,214.60 crore for the years 2004-07 had not been got regularised so far (August 2008). The excess expenditure of Rs 3,753.43 crore during the year 2006-07 is 89.06 *per cent* of total excesses during previous years which is still awaiting regularisation. The Department had stated that excess expenditure for the years 2004-05 to 2006-07 will be got regularised by the State Legislative Assembly most likely up to the Budget Session 2009. This was a breach of Legislative control over appropriations.

(Rupees in crore)

Year	No. of grants/ appropriation	Grants/Appropriation No(s)	Amount of excess	Reasons for excess
2004-2005	4	8, 12, 21, 26	395.52	Not received
2005-2006	2	17, 19	65.65	Not received
2006-2007	5	5, 8, 21, 27, 30	3753.43	Not received
Total			**4214.60**	

2.3.7 Excess expenditure over provisions of 2007-08 requiring regularisation

The excess of Rs 895.34 crore involving six grants and appropriations during the current year requires regularisation under Article 205 of the Constitution. Details are given as follows:

(Rupees in crore)

	No. and name of Grant/appropriation	Total Grant/ appropriation	Actual expenditure	Excess
Revenue (Voted)				
1.	19-Planning	732.87	733.48	0.61
2.	21-Public Works	725.72	1018.68	292.96
Revenue (Charged)				
3.	08-Finance	4356.52	4526.92	170.40
4.	12-Home Affairs and Justice	18.64	21.48	2.84
Capital (Voted)				
5.	09-Food and Supplies	0.02	0.41	0.39
Capital (Charged)				
6.	08-Finance	1679.53	2107.65	428.12
7.	15-Irrigation and Power	0	0.02	0.02
	TOTAL	**7513.30**	**8408.64**	**895.34**

Reasons for the excesses had not been furnished by the Government as of August 2008.

2.3.8 Persistent excesses

Significant excesses between Rs one crore to Rs 214.21 crore were persistent in eight cases involving two grants during the last three years as detailed in ***Appendix-2.7.*** Persistent excesses require investigation.

2.3.9 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. In six cases where the re-appropriation of funds proved injudicious in view of final excess of Rs 710.36 crore (between Rs 12.93 crore to Rs 378.43 crore in each case) in two grants. Similarly in 30 cases savings of Rs 637.60 crore (between Rs one crore and Rs 218.20 crore) in 11 grants as detailed in ***Appendix- 2.8 and 2.9*** respectively were noticed.

2.4 Defective re-appropriation

During 2007-08, 35 re-appropriation orders of Rs 3,010.69 crore were issued. Of these, 33 orders aggregating Rs 2,679.50 crore were issued on 31st March 2008, the last day of the financial year. Six re-appropriation orders of the value of Rs 331.19 crore (11 *per cent*) were not accepted in audit as per details given in ***Appendix- 2.10***.

2.5 Rush of expenditure

As per para 18.15 of Manual of Instructions of Finance Department, Government funds should be evenly spent throughout the year. The rush of expenditure, towards the end of the financial year, is regarded as a breach of financial rules. Scrutiny revealed that Rs 3,997.12 crore i.e. 15.83 *per cent* of the total expenditure of Rs 25,252.47 crore (Rs 25,252.47 crore excludes recoveries Rs 577.74 crore, public debt Rs 2,107.65 crore and loans and advances Rs 34.85 crore) was incurred in March 2008. Expenditure on the last day of the year was Rs 922.00 crore. It was also noticed that in 14 cases, expenditure incurred during the 4^{th} quarter of the year ranged between 50 and 100 *per cent* of total expenditure under those head of accounts. Expenditure incurred during March 2008 was 36.46 *per cent* of the total expenditure in these cases. Details are given in ***Appendix-2.11***.

2.6 Personal deposit account balances

Government decided (September 2004) that all the existing Personal Ledger Accounts (PLA) stand closed effective on 31 July by debit to concerned PLA and contra-credit to the receipt head of the department concerned, by which the amount was drawn from its expenditure head originally. Contrary to the instructions of September 2004, the following amounts were lying in PLA account, Year-wise detail is as under:

(Rupees in crore)

Year	Opening Balance	Receipts	Payment	Closing Balance
2004-05	41.24	34.82	44.88	31.18
2005-06	31.18	595.46	587.65	38.99
2006-07	38.99	545.30	548.98	35.31
2007-08	35.31	589.09	587.54	36.86

Retention of money in PLA contrary to Punjab Government instructions referred to above was irregular.

2.7 Budgetary control

A review of budgetary procedure and control over expenditure in case of five grants (01-Agriculture & Forests, 03-Co-Operation, 05-Education, 15-Irrigation & Power and 17-Local Government, Housing & Urban Development) covering 21 Offices and 29 Departments revealed that:

2.7.1 Nineteen departments sent budget estimates for the year 2007-08, due as on 1 November 2006 to the Finance Department with a delay between eight and 124 days.

2.7.2 In 53 cases (Agriculture & Forests (16), Co-Operation (4), Education (19), Irrigation & Power (9) and Local Government, Housing & Urban Development (5)), there were persistent savings exceeding Rs 20.00 lakh or 20 *per cent* or more of the provision during the last three years as per detail given in ***Appendix 2.12***. In 17 of the above cases, entire provision aggregating Rs 295.67 crore in last three years remained unutilised (***Appendix-2.13***).

2.7.3 A detailed scrutiny of two departments i.e. Irrigation & Power (Grant No.-15) and Local Government, Housing and Urban Development (Grant No.17) revealed that: -

- In 22 cases, there were saving of Rs 218.06 crore due to non release of funds by the Finance Department/Sanction not issued by the Government/vacant post etc. as per detail given in ***Appendix 2.14.***
- In three cases, there were savings of Rs 17.66 crore due to bills not passed by the Treasury Office as per detail given in ***Appendix 2.15.***
- In two cases, an expenditure of Rs 47.14 crore was incurred without any provision in the original/supplementary estimates as per detail given in ***Appendix 2.16.***
- In two cases, there was substantial excess expenditure over grant amounting to Rs 7.40 crore due to non-release of funds (Rs 0.9 crore) by Finance Department against revised budget estimate and inclusion of other categories of people for grant of subsidy to Punjab State Electricity Board (Rs 7.31 crore) as per detail given in ***Appendix 2.17.***

2.7.4 As per para 12.11 of Punjab Budget Manual, the departments were to maintain liability register to keep watch over the un-discharged liabilities. It was noticed that no such register was maintained by the Drawing and Disbursing Officers operating these grants. As a result, the budget estimates were prepared by the Controlling Officers without considering the liabilities of the department.

CHAPTER-III

PERFORMANCE AUDIT

CHAPTER-III

PERFORMANCE AUDIT

This chapter presents performance audit of 'Construction and maintenance of State Highways and District Roads'.

3.1 Performance Audit of 'Construction and maintenance of State Highways and District Roads'

Highlights

PUBLIC WORKS DEPARTMENT (BUILDINGS AND ROADS BRANCH)

Performance Audit of 'Construction and maintenance of State Highways and District Roads' disclosed cases of defective planning and poor budgeting. There were cases of technical sanctions and execution in disregard to MORT&H specifications and departmental instructions leading to avoidable extra expenditure. Non-evaluation of overlays resulted in premature damage of road. Cash securities were released without observing defect liability period.

- ***CE diverted Rs 2.21 crore released by Finance Department for Non-Plan works to Plan works being executed under NABARD-XII.***

(Paragraph 3.1.7)

- ***Expenditure of Rs 23.01 crore incurred in excess of budget provisions and Rs 38.98 crore without technical sanction of competent authority.***

(Paragraph 3.1.8 & 3.1.11)

- ***Roads already identified under World Bank assisted Punjab State Road Sector Project for rehabilitation were repaired by laying premix carpet at a cost of Rs 86.95 lakh.***

(Paragraph 3.1.13)

- ***Contractors were favoured by allowing premature release of cash securities (Rs 41.51 lakh) and non-deduction of securities (Rs 36.48 lakh).***

(Paragraph 3.1.15 & 3.1.16)

- ***Non-adoption of specification (Rs 1.24 crore) and execution of works with excess quantity (Rs 4.13 crore) without justification resulted in avoidable excess expenditure of Rs 5.37 crore.***

(Paragraphs 3.1.17, 3.1.18 & 3.1.19)

- ***Road strengthened at a cost of Rs 1.35 crore was damaged prematurely before its designed life as the requirement of overlays was not evaluated.***

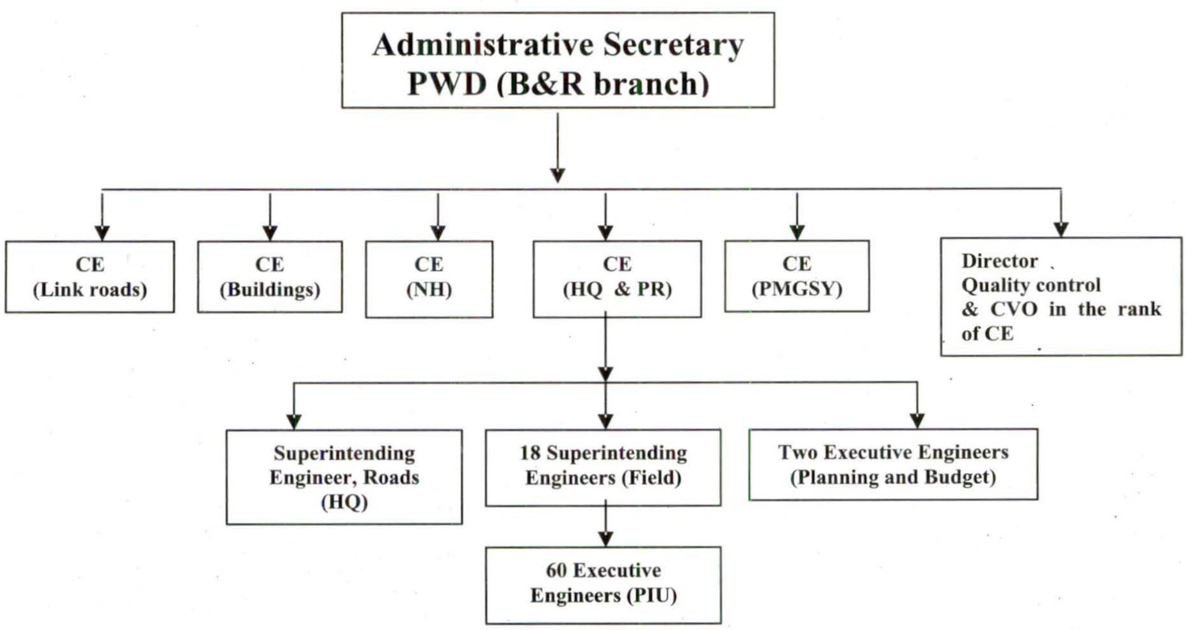
(Paragraph 3.1.20)

Introduction

3.1.1 Public Works Department (Buildings and Roads, Punjab) (PWD B&R) is responsible for construction and maintenance of roads in the State. State Highways (SHs) and District Roads {Major District Roads (MDRs) and Other District Roads (ODRs)} play an important role in providing better and improved connectivity. Punjab has 7374 kms of State Highways and District Roads which is 12.12 *per cent* of total road network of 60825 kms. SHs (1485 kms) are arterial routes which link district headquarters and important cities within the State and connecting them with National Highways or highways of the neighbouring States, MDRs (1808 kms) are important routes within a district serving areas of production and market connectivity with each other or with the main highways. ODRs (4081 kms) are roads serving rural areas of production and provide them with outlet to market centres and tehsil headquarters, block development headquarters or other main roads.

Organisational set-up

3.1.2 The organisational setup was as under: -



Audit objectives

3.1.3 The objectives of audit were to assess whether: -

- budget estimates were prepared realistically and provisions made in the approved five years/annual plans adhered to;
- fund management was efficient and was as per rules and regulations; cost control mechanism was put in place to avoid extra expenditure and to effect economy without compromising on the quality of work;
- sanctions to the works were accorded timely;
- administrative and technical orders/guidelines issued by the Ministry of Road Transport & Highways (MORT&H)/Indian Road Congress (IRC), were adhered to;

- works being executed by the Department were planned properly and rules, instructions, standardisation and specifications relevant to the works, were observed and
- there was an effective system of quality control and monitoring in place.

Audit criteria

3.1.4 Provisions laid down in Punjab Public Works Department Code, Punjab Financial Rules (PFR), Departmental Financial Rules (DFR), specifications issued by IRC/MORT&H, guidelines/instructions/rules of Government and of National Bank for Agriculture and Rural Development (NABARD) were used as audit criteria.

Scope of audit

3.1.5 The records of Administrative Secretary, one CE (Plan Roads) and 16 EEs[1] out of 60 covering the expenditure of Rs 481.87 crore out of Rs 2081.54 crore for the period 2003-08, were test checked during October 2007 to April 2008.

An entry conference was first conducted with the CE in October 2007 and then with the Administrative Secretary in February 2008 in which the broad audit objectives and criteria were explained. The exit conference was held on 6 August 2008.

Financial management

3.1.6 State Government is responsible for construction and maintenance of roads in the State. Funds for these activities are provided through annual budget provision. While the expenditure on maintenance of roads is met by the State Government out of its own resources, construction activities such as widening, strengthening and raising of existing roads are partly financed by NABARD and World Bank loans. During the period 2003-04 to 2007-08, the State Government raised loan aggregating to Rs 431.69[2] crore under Rural Infrastructure Development Fund VIII to XIII under 'NABARD assisted project for road construction works'. In addition, State Government also obtained Rs 350 crore as loan from World Bank during 2007-08, which has been routed through budget provision.

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[1] **(i) Construction Division II, Amritsar (ii) Central Works Division, Bathinda (iii) Construction Division II, Bathinda (iv) Construction Division III, Ferozepur (v) Provincial Division, Ferozepur (vi) Construction Division, Gurdaspur (vii) Construction Division I, Ludhiana (viii) Construction Division, Malerkotla, (ix) Provincial Division, Mansa (x) Construction Division I, Mohali (xi) Construction Division, Mukerian (xii) Provincial Division I, Patiala (xiii) Provincial Division II, Patiala (xiv) Construction Division, Pathankot (xv) Construction Division, Ropar and (xvi) Provincial Division, Sangrur.**

[2] **2003-04: Rs 48.22 crore; 2004-05: Rs 64.02 crore; 2005-06: Rs 78.04 crore; 2006-07: Rs 125.78 crore and 2007-08: Rs 115.63 crore.**

(a) Budget provisions and expenditure incurred under Plan & Non-Plan head was as under:

(i) Works under 5054 (Plan)-Capital Outlay

(Rupees in crore)

Year	Original Budget provision	Revised Budget Provision	Expenditure	Excess (+) Saving (-)	Percentage
2003-04	157.01	12.01	125.65	(+) 113.64	946
2004-05	307.00	173.65	117.60	(-) 56.05	32
2005-06	277.11	296.78	308.56	(+) 11.78	4
2006-07	304.75	268.43	335.83	(+) 67.40	25
2007-08	535.10	600.00[3]	539.84	(-) 60.16	10

☞ ***Source: Detailed estimates of expenditure on Plan schemes of Punjab Government***

(ii) Maintenance works under 3054 (Non Plan)

(Rupees in crore)

Year	Original Budget provision	Revised Budget provision	Expenditure	Excess (+) Saving (-)	Percentage
2003-04	17.01	7.31	37.81	(+) 30.50	417
2004-05	1.52	8.22	124.96	(+) 116.74	1420
2005-06	103.22	113.62	91.41	(-) 22.21	20
2006-07	224.84	230.24	304.83	(+) 74.59	32
2007-08	238.62	234.65	95.05	(-) 139.60	60

☞ ***Source: Demand for grants and Finance Accounts of Punjab Government***

From the above, it was noticed:

(i) Excess expenditure over the budget provisions in respect of original works (5054-Plan) was 946 *per cent* and 25 *per cent* during 2003-04 and 2006-07 and in respect of maintenance works (3054-Non-plan), it ranged between 32 *per cent* and 1420 *per cent* during 2003-04 to 2006-07.

(ii) There was short utilisation of funds to the extent of 32 *per cent* during 2004-05 under '5054 Plan' and 60 *per cent* under '3054 Non-plan' during 2007-08.

In reply, CE stated (August 2008) that the saving was due to non-release of funds.

(b) As per Para 3.1 and 3.2 of Punjab Budget Manual, the preparation of budget for the next year should be based on the figures of actuals for the previous year and original as well as revised estimates for the current year. Further as per para 18.5 ibid revised estimates should be framed in the light of actuals so far recorded in the current year, actuals for the same period of last and previous year, orders already issued or contemplated of appropriation or re-appropriation or sanction to expenditure and any other relevant facts but there were wide fluctuations/variations noticed as follows:

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[3] **Includes budget provision of Rs 350.00 crore under World Bank scheme for Roads Infrastructure.**

(i) Original budget provisions under 5054-Plan were revised from Rs 157.01 crore and Rs 304.75 crore to Rs 12.01 crore and Rs 268.43 crore for the years 2003-04 and 2006-07 respectively which was unrealistic as the expenditure during these years was Rs 125.65 crore and Rs 335.83 crore respectively. It revealed that revised budget provisions for these years were not prepared on realistic proposals;

(ii) Original budget provisions of Rs 17.01 crore under 3054-Non-Plan were revised to Rs 7.31 crore during the year 2003-04. The change was unrealistic and undesirable as the expenditure during this year was Rs 37.81 crore. The reduction was to the extent of Rs 9.70 crore (57 *per cent*) and

(iii) Original budget provision of Rs 103.22 crore during the year 2005-06 was revised to Rs 113.62 crore. The revision was not desirable as the expenditure during the said year was Rs 91.41 crore, even less than the original budget provision.

As such, the budgets were not prepared as required under Punjab Budget Manual.

In reply (August 2008), CE did not furnish the reasons for the revision of the original budget provisions but stated that the budget provisions were revised by the Finance Department.

Diversion of funds

CE diverted Rs 2.21 crore

3.1.7 Scrutiny of records (October 2007) of CE (PR) disclosed that CE diverted Rs 2.21 crore[4], earmarked for the purpose of SHs and Non-plan works, for execution of works under NABARD-XII (Rs 2.00 crore), purchase of nine old staff cars (Rs 10.85 lakh) and for preparation and telecast of 30 minutes programme to highlight the achievements of the Department (Rs 10.00 lakh) between July 2006 and January 2007. Such diversion was irregular as the funds were diverted for purposes other than for which these were sanctioned, without approval of the Finance Department.

EE's incurred expenditure of Rs 23.01 crore in excess of budget provisions

3.1.8 Rule 17.15 of PFR provides that no expenditure should be incurred in excess of budget provision.

Scrutiny of records (January-April 2008) disclosed that eight EEs incurred expenditure of Rs 23.01 crore in excess of budget provisions on works under NABARD X and XII as detailed in the following table:-

[4] **Rs 200 lakh were released in September 2006 to Central Works Division, Bathinda for NABARD-XII works, Rs 10.85 lakh were released between August 2006-January 2007 to Mechanical Division, Patiala for purchase of vehicles and Rs 10.00 lakh were released in July 2006 to a private agency for telecasting.**

(Rupees in crore)

Sr. No.	Name of Division	Year	Funds received	Expenditure incurred	Excess expenditure
1.	Construction Division No. 2, Amritsar	2006-07	6.34	9.53	3.19
2.	Central Works Division, Bathinda	2006-07	6.27	7.42	1.15
3.	Provincial Division, Ferozepur	2005-06	1.64	1.92	0.28
		2006-07	1.59	1.63	0.04
		2007-08	0.99	2.24	1.25
4.	Construction Division, Gurdaspur	2003-04	5.90	7.71	1.81
		2004-05	11.82	15.81	3.99
		2006-07	22.08	24.97	2.89
5.	Construction Division, Mukerian	2006-07	2.74	3.28	0.54
6.	Construction Division, Pathankot	2004-05	6.42	6.91	0.49
		2006-07	18.35	21.30	2.95
7.	Construction Division, Patiala	2003-04	2.18	4.57	2.39
8.	Provincial Division, Sangrur	2006-07	9.33	10.88	1.55
		2007-08	11.43	11.92	0.49
TOTAL					**23.01**

On being asked the source from which excess expenditure was met, one EE stated that it was due to inclusion of cash security. Other EEs have given no specific reply.

loan of Rs 6.93 crore raised from NABARD for State Highways

3.1.9 NABARD under Rural Infrastructure Development Fund (RIDF) provides interest bearing loan assistance for developing infrastructure in rural areas and not for State Highways. The loan was to be repaid as per re-payment schedule in equal instalments within seven years from the date of drawl, including a grace period of two years.

State Government raised (March 2003) loan of Rs 7.26 crore[5] at interest rate of 8.5 *per cent* from NABARD under Rural Infrastructure Development Fund (RIDF) VIII for two SHs and Rs 6.93 crore were released during 2003-07 to the EE, Construction Division, Patiala. As the NABARD provided interest bearing loan assistance only for developing infrastructure in rural areas and not for construction of SHs, the funds were required to be arranged with State budgetary support. Failure to arrange funds with State budgetary support had put the state exchequer under avoidable interest liability which worked out to Rs 1.18 crore for two years alone.

CE and EE, Construction Division, Patiala were asked (March–August 2008) to furnish the project proposals sent for obtaining loan assistance from NABARD along with the reasons for not arranging funds through State budgetary support for the SHs. But neither the reply nor the project proposals were furnished for verification.

Non-recovery of road cut charges from Nagar Council

Road cut charges amounting to Rs 26.05 lakh not recovered from Nagar Council

3.1.10 CE accorded (September 2007) technical sanction to an estimate of Rs 1.02 crore for raising and strengthening of ODR 11 (Km 0.00 to 1.21) (Approach road to Mansa bus stand). The estimate included provision of

5 **Rs 4.38 crore for Patiala-Pehowa Road and Rs 2.88 crore for Patiala-Patran Road.**

repair of road cut which Nagar Council left un-attended due to paucity of funds (April 2007) after laying sewer, though Nagar Council made (January 2007) a commitment for its repair at the time of taking over the road from PWD for sewer work. An expenditure of Rs 81.93 lakh (May 2008) had been incurred by the EE, Provincial Division, Mansa on the work but road cut charges amounting to Rs 26.05 lakh were not recovered from the Nagar Council.

Though the EE assured (April 2008) to look into the matter but no communication regarding recovery has been received so far (July 2008).

Expenditure of Rs 38.98 crore incurred without technical sanction of works

Expenditure against unsanctioned estimates and excess over sanctioned estimates

3.1.11 As per Para 2.7 and 2.89 of Public Works Department Code, no work should commence without technical sanction to the estimate. Further, if the expenditure on any work exceeds five *per cent* of the original estimate, revised technical sanction of the competent authority is required to be obtained.

(a) Scrutiny (January-April 2008) of records disclosed that two EEs incurred an expenditure of Rs 38.98 crore during 2006-08 on four works without technical sanctions of the competent authority as follows:

(Rupees in crore)

Sr. No.	Name of division	Name of work	Year	Expenditure incurred
1.	Construction Division, Gurdaspur	Improvement of Batala-Mehta Beas Road	Up to December 07	2.38
		Harchowal-Bet Pattan upto Kiri Afghana Road	Up to December 07	2.49
2.	Construction Division III, Ferozepur	Rehabilitation of Dharmkot-Zira Road	Up to June 08	16.79
		Rehabilitation of Zira-Ferozepur Road	Up to June 08	17.32
TOTAL				**38.98**

On being pointed out, the EE accepted the audit observation that the technical sanctions were yet to be obtained from the Competent Authority. No further progress has been intimated so far (July 2008).

(b) EE Construction Division II, Amritsar, executed two works technically sanctioned for Rs 4.19 crore by incurring an expenditure of Rs 5.33 crore upto December 2007, thereby exceeding the amount of technical sanctions by Rs 1.14 crore without getting the revised estimates technically sanctioned from the Competent Authority. The excess expenditure ranged between 26 and 30 *per cent* as detailed in the following table:

(Rupees in crore)

Sr. No.	Name of work	Date and amount of technical sanction	Date of completion	Expenditure incurred	Excess expenditure	Percentage of excess expenditure
1.	Strengthening of Fatehgarh Churian-Ramdass road	11.4.05 1.54	31.3.07	1.99	0.45	30
2.	Widening of Harsha-Chhina-Fatehgarh Churian road	30.4.05 2.65	31.3.07	3.34	0.69	26
	TOTAL	**4.19**		**5.33**	**1.14**	

In reply, EE while accepting (January 2008) the audit observation stated that revised estimates have been submitted for technical sanctions. No further reply has been received so far (July 2008).

Planning

3.1.12 For the successful implementation of road works, a detailed schedule for implementation of construction activities is essential. But the State neither has a State Road Policy nor a detailed plan to work out priorities for roads to be constructed/widened/strengthened/improved in a systematic manner in the entire State.

Avoidable expenditure due to ill planning

3.1.13 Punjab Roads and Bridges Development Board (PRBDB) identified Landran Chunni Road (SH-12A) in October 2004 for rehabilitation[6] under World Bank loan assisted Punjab State Road Sector Project (PSRSP). Interim feasibility study report towards rehabilitation of the road was submitted by the consultant to PRBDB in February 2006. Even then, the CE accorded (March 2006) a technical sanction of Rs 1.10 crore for crack sealing and laying 20 mm thick open graded premix carpet (PC). This work was completed with State funds in July 2006 at a cost of Rs 94.24 lakh. Just after completion of the work of crack sealing (Rs 7.29 lakh) and PC (Rs 86.95 lakh), the road was transferred to another Division in July 2006 itself for the work of rehabilitation.

Rs 86.95 lakh were incurred on maintenance of road already identified for rehabilitation under PSRSP

Tenders for the work of rehabilitation under PSRSP were invited by PRBDB in October 2006, agreement entered in April 2007 and an expenditure of Rs 15.28 crore had been incurred upto June 2008. This revealed that the expenditure of Rs 86.95 lakh incurred by EE, Construction Division-I, Mohali with State funds on the work of PC which normally lasts for five years was rendered wasteful within one year as the road surface was overlaid with rich bituminous overlays of 60 mm Dense Bituminous Macadam (DBM) and 40 mm Bituminous Concrete (BC) under the work of rehabilitation.

[6] **Rehabilitation of road involves strengthening, widening, overlaying, profile corrective course and cross drainage works along the road alignment.**

On being pointed out, the EE stated (December 2007) that PC was laid to keep the road traffic worthy so as to sustain it for the period till the start of the work under PSRSP. Reply was not tenable as crack sealing with bituminous filling under routine maintenance was sufficient to keep the road traffic worthy because cracks were less than 25 *per cent*[7] of the total area covered under PC and road was in good riding condition in all its length as per interim feasibility report. Thus, according technical sanction and release of funds for PC led to avoidable expenditure of Rs 86.95 lakh.

Contract management

Scrutiny revealed poor management of contracts resulting in extra expenditure, non-recovery of dues and release of cash security without observing defect liability period as follows:

Irregular execution by splitting-up work

Irregular execution of work valuing Rs 28.29 lakh by splitting of work in 34 work orders

3.1.14 As per instructions issued by CE (January 1998) when total cost of the work is more than Rs one lakh, no work order should be drawn. Besides, prior sanction of next higher authority should be obtained to draw work order after giving full justification.

It was, however, noticed (April 2008) that SE, Construction Circle, Hoshiarpur accorded technical sanction (May 2006) of Rs 28.48 lakh for patch work on MDR-69 "Mukerian-Talwara-Mubarikpur Road". The EE, Construction Division, Mukerian got the work executed between May and June 2006 without drawing work order. The EE, belatedly issued (21 June 2006) 34 work orders by keeping each work order below Rs one lakh in favour of single contractor and also made payment of Rs 28.29 lakh on the same day. Prior sanction of higher authority to draw work orders was also not obtained. Thus, action of EE in violation of departmental instructions rendered expenditure of Rs 28.29 lakh as irregular.

On being pointed out, the EE furnished no specific reply.

Pre-mature release/non-deduction of cash security

Premature release of cash security amounting to Rs 41.51 lakh

3.1.15 According to the terms and conditions laid down in the sanction issued by NABARD in June 2006, the defect liability period for NABARD-XII works will not be less than two years from the date of completion.

Scrutiny of records (March-April 2008) of two EEs revealed that cash security of Rs 41.51 lakh deducted at the rate of five *per cent* from the bills of the contractors in respect of three works pertaining to NABARD-XII, was released 15 to 18 months in advance without observing defect liability period of two years as detailed in ***Appendix 3.1***.

In reply, EEs admitted the lapse.

[7] **MORT&H Manual for maintenance of roads.**

Cash security of Rs 36.48 lakh not deducted

3.1.16 Clause I of the agreement provides that cash security at five *per cent* of the amount of contract, inclusive of earnest money initially deposited with the bid, to cover the cost that may be involved in the removal of defects, to be progressively deducted at the rate of five *per cent* in all payments.

Scrutiny of records (January–March 2008) revealed that four EEs[8] authorised and paid an amount of Rs 7.29 crore against 12 final bills during the period February 2006 and February 2008 but did not deduct cash security of Rs 36.48 lakh from the final bills. Thus, non-observance of the clause of the agreement extended undue favour to the contractors.

On being pointed out, EEs admitted audit contention.

Project management

In the execution of works, several lapses viz. loss due to non-adherence to decisions/instructions of higher authorities, use of costly material, unjustified adoption of higher quantities and non-adherence to IRC/MORT&H specifications, were noticed as detailed below:-

Extra cost due to adoption of costlier specification

3.1.17 As per the decision (March 2005) taken by the technical committee of the CEs and SEs, Punjab PWD (B&R), prime coat of bitumen emulsion at the rate of 7.5 kg. per 10 sqm area was to be applied over Wet Mix Macadam (WMM) in road construction. The decision was intimated (March 2005) to all field formations for its strict compliance.

Extra expenditure of Rs 1.24 crore due to adoption of costlier specification of bitumen

Scrutiny of records (January and April 2008) disclosed that two EEs[9] executed three works[10] between August 2006 and August 2007 with one coat surface dressing using 80/100-grade bitumen at the rate of 10 kg. per 10 sqm area over WMM instead of primer coat of bitumen emulsion at the rate of 7.5 kg per 10 sqm area in departure from the above decision. This resulted in excess expenditure of Rs 81.16 lakh[*].

(ii) Similarly, as per the decision (March 2005), the tack coat with bitumen emulsion at the rate of 2.75 kg. per 10 sqm was to be applied over layer of WMM. But above works were executed with tack coat using 80/100 grade bitumen at the rate of five kg per 10 sqm. Non-compliance of decision resulted in extra expenditure of Rs 42.84 lakh[**].

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[8] **Provincial Division 1 Patiala (4 works):Rs 5.32 lakh, Provincial Division II, Patiala (3 works) :Rs 6.38 lakh, Construction Division, Ropar (1 work) :Rs 0.85 lakh and Provincial Division, Sangrur (4 works):Rs 23.93 lakh = Rs 36.48 lakh**

[9] **EE, Construction Division, Mukerian and EE, Provincial Division Sangrur.**

[10] **(i) Sunam-Lehra-Jakhal Road Km 0.45 to 38.06 (Rs 50.67 lakh[*] and 30.31 lakh[**]) (Rsg. &Stg), (ii) Mukerian-Talwara-Mubarikpur road Km 5-8 and 33.50 to 45.70 (Rs 15.60 lakh[*] and 6.10 lakh[**])(Stg & Rsg.) and (iii) Mukerian-Talwara road Km 0-5 and 8 to 33.50, 34.45 to 34.63, , 36.12 to 36.375, 37.375 to 37.64, 38.42 to 37.485, 38.49 to 38.67 and 43.48 to 43.975 (Rs 14.89 lakh[*] and 6.43 lakh [**])**

EEs stated that the works were executed as per sanctioned estimates. Reply was not tenable because the estimates proposed by the EEs for technical sanctions and approved by the CE were not as per the decision taken by the technical committee of CEs and SEs of the department. There was no justification on record for using and providing a surface dressing/tack coat of higher specification.

Unjustified adoption of thickness of SDBC

3.1.18 Public Works Department standardised (December 2001) the specification of 25 mm thick Semi Dense Bituminous Concrete (SDBC) for widening/new construction and strengthening of MDRs & ODRs where CBR[11] value was not less than five *per cent*.

Unjustified expenditure of Rs 3.29 crore due to adoption of extra thickness of SDBC

Scrutiny of records disclosed that seven EEs executed 17 works of providing and laying of SDBC with thickness of 30 mm on widening/new construction and strengthening of MDRs & ODRs without ascertaining the pre-requisite CBR value. As such, the expenditure of Rs 3.29 crore incurred on providing and laying of extra five mm thick SDBC was unjustified as detailed in ***Appendix 3.2***.

In reply, EE Construction Division I, Ludhiana stated (March 2008) that SDBC could be provided in the range between 25 and 100 mm thickness as per MORT&H specification and other EEs stated (January-April 2008) that works were executed as per technical sanctions. Reply was not acceptable because the department has failed to give any justification for the departure from the standardized specification of providing 25 mm thick SDBC.

Excess quantity of stone metal

3.1.19 As per MORT&H standard data book for analysis of rates published by Indian Road Congress with regard to specification No. 404, the quantity of loose stone metal is worked out as 1.21 cum with 18 *per cent* screening for execution of one cum Water Bound Macadam (WBM) Grade-II and Grade III compacted to 75 mm.

Extra expenditure of Rs 84.37 lakh incurred due to adoption of excess quantity of stone metal

Scrutiny of records (January to April 2008) disclosed that eight EEs executed nine works during 2005-08 and laid 82770.15 cum of compacted stone metal for execution of WBM by taking quantity of loose stone metal as 1.33 cum with 18 *per cent* screening for execution of one cum WBM compacted to 75 mm.

On being pointed out, EEs stated that works were executed as per technically sanctioned estimates. The sanctions and execution in departure from the MORT&H specification by adopting excess quantity of loose stone metal without any justification on record led to avoidable extra expenditure of Rs 84.37 lakh as detailed in ***Appendix 3.3***.

11 **California Bearing Ratio is the ratio expressed in percentage of force per unit area required to penetrate a soil mass.**

Pre-mature damage of road

3.1.20 IRC-81–1997 guidelines and MOST. Research Study (R-6) for strengthening of road specifies that strengthening of existing weak flexible pavement should be done after the evaluation of structural capacity of the existing flexible pavement and estimation & design of overlays by adopting Benkelman Beam Deflection Study. It further specifies that design life for strengthening of major roads should be at least 10 years. Less important roads may, however, be designed for a shorter design period but not less than five years in any case.

Pre-mature damage of crust executed at a cost of Rs 1.35 crore due to non-ensuring Benkelman Beam Deflection Study of the existing pavement

Scrutiny of records (April 2008) of EE, Construction Division, Malerkotla disclosed that Government accorded (January 2003) administrative approval of Rs 1.39 crore for strengthening MDR 33 "Malerkotla-Jarg-Khanna (Section Malerkotla-Jaure Pul road) in Km 0 to 3 and 6 to 18.20". The CE, without ensuring requisite Benkelman Beam Deflection Study, accorded (February 2003) technical sanction of Rs 1.39 crore to the work of strengthening which was completed (July 2003) at a cost of Rs 1.35 crore. But the road was damaged prematurely due to weak pavement, which necessitated re-strengthening of the same stretches after three years of its strengthening. Accordingly, CE accorded (September 2006) technical sanction of Rs 8.54 crore to the estimate for strengthening[12] and raising[13]. The work was completed (December 2006) at a cost of Rs 8.46 crore.

Thus, failure of the department to evaluate the crust thickness for strengthening with the Benkelman Beam Deflection Study led to its premature damage which had to be rectified after three years.

On being pointed out, the EE stated that reply would follow. But no reply has been received (July 2008).

Avoidable expenditure of Rs 70.35 lakh for providing tack-coat

3.1.21 As per clause 503.4.3 (application of tack coat) and 504.4 (protection of the Bituminous Macadam layer) of MORT&H specifications for Road and Bridge works, where the overlay is to be provided on a freshly laid bituminous layer, that has not been subjected to traffic, or contaminated by dust, a tack coat is not mandatory If the overlay is completed with in two days.

EEs failed to plan the works and incurred avoidable expenditure of Rs 70.35 lakh for providing tack-coat

Scrutiny of records (January and April 2008) revealed that four EEs executed (between 2006-08) seven works of laying of Bituminous Macadam followed by laying of SDBC. The EEs failed to plan the execution of work as per above specifications and incurred avoidable expenditure of Rs 70.35 lakh on application of tack coat as detailed in ***Appendix 3.4.***

In reply, EEs stated that works were got executed as per technical sanctions. Replies were not tenable because EEs were required to plan the work in such a way so that SDBC could be laid within forty eight hours from laying

12 **Strengthening - km 0.40 to 3.18, 3.72 to 4.86, 5.36 to 15.00 and 15.45 to 18.20= 16.31 kms.**

13 **Raising - Km 0 to 0.40, 3.18 to 3.72, 4.86 to 5.36 and 15.00 to 15.45=1.89 kms.**

Bituminous Macadam as per procedure prescribed in MORT&H specifications.

Execution of earth work on berms against departmental instructions

Earth work on berms executed at a cost of Rs.49.05 lakh in departure from departmental instructions

3.1.22 All CEs, PWD (B&R), Punjab decided (June 2006) that in road works executed under the head 3054-Roads & Bridges (Non-plan), earth work on berms should not be executed. SE, PWD, Construction circle, Ludhiana emphasized (July 2006) that even on the works for which estimates have already been sanctioned and tenders approved, earth work on berms should not be executed.

Scrutiny of records (March 2008) of EE, Construction Division No. 1, Ludhiana, disclosed that against clear departmental instructions an expenditure of Rs.49.05 lakh was incurred (between November 2006 and April 2007) on earth work on berms in road work "Strengthening of Southern Bye pass (Km. 21.80 to 27.00)".

In reply, EE stated that earth work was executed as per estimate technically sanctioned by CE (December, 2006) Reply was not acceptable because even for the works for which estimates have been sanctioned and tenders approved earth work on berms was not required to be executed. There were no reasons on record for the departure from the decision taken in the CE's conference in June 2006.

Non-deployment of quality control consultant

Undue favour to contractor by reducing tendered cost from Rs 2.18 crore to Rs 1.89 crore

3.1.23 As per clause-31 (b) of the agreement, for all works exceeding Rs two crore, the contractor is required to engage a competent and independent quality control consultant approved by SE/CE in charge of work to exercise effective control over the construction operation in the field so as to produce quality works, failing which Engineer-in-charge can carry out the quality control checks through departmental staff and deduction at the rate of 1.5 *per cent* of the total cost of the work shall be recovered from the bill of the contractor.

Scrutiny of records (October 2007) of Construction Division, Sirhind revealed that work of providing and laying SDBC on SH-12A "Sirhind-Chunni road" was awarded on 18 October 2005 for Rs 2.18 crore to a contractor. Subsequently, amendment letter was issued on 28 October 2005 thereby reducing tendered cost of Rs 2.18 crore to Rs 1.89 crore without assigning any reason. After that, scope of work was again enhanced (June 2006) to Rs 2.05 crore. Accordingly, the agreement amount was also enhanced to Rs 2.05 crore and the work was finally completed at a cost of Rs 2.05 crore.

From the above, it is evident that reduction in agreement amount in the first instance and again enhancement thereof after allotment resulted in undue favour to the extent of Rs 3.07 lakh (1.5 *per cent* of Rs 2.05 crore) to the contractor by facilitating him escape the deployment of quality control consultant as provided in the agreement.

On being pointed out, no specific reply was furnished.

Other points

Allotment of work ignoring qualifying criteria

3.1.24 The work "Construction/Strengthening of Bathinda-Muktsar Road" was awarded (August 2006) to a contractor at a tendered cost of Rs 8.05 crore.

Scrutiny of records of Central works Division, Bathinda revealed that the contractor to whom the work valuing Rs 8.05 crore was allotted, was enlisted for execution of road works upto Rs 5.00 crore. Thus, awarding of a work beyond the competence of the contractor was irregular.

On being pointed out (March 2008), no reply was furnished.

Non-submission of completion reports

3.1.25 Para 2.122 of PWD code provides that completion report must be prepared on the completion of works and submitted to the higher authority.

In nine Divisions, PCRs in respect of 37 works, as detailed in ***Appendix 3.5,*** completed at a cost of Rs 140.52 crore between June 2004 and February 2008 were neither prepared nor submitted to the higher authority.

On being pointed out (between January 2008 and April 2008), EEs stated that needful would be done in due course. Final reply is awaited (July 2008).

Irregular provision of contingent charges

3.1.26 According to Finance Department instructions (January 2000), no provision of contingencies shall be made in the estimates of works under minor or major works covered both under Plan and Non-Plan except in cases where these are permitted by the Finance Department.

In six[14] Divisions, it was noticed that provisions of contingent expenditure amounting to Rs 1.77 crore was made in 25 estimates as detailed in the ***Appendix 3.6*** of works during the years 2003-08.

On being pointed out (between January and April 2008), it was stated that estimates had been sanctioned by the competent authority. Reply was not tenable as the provision of contingency was made in contravention of instructions of Finance Department.

Monitoring

3.1.27 Government in PWD, B&R branch laid down (May 2005) the norms reiterated in November 2006, for the Engineering Officers (CE, SE, EE) at various levels to undertake inspection of works at regular intervals in an effective manner so as to achieve the objective of quality assurance in execution and completion of works to the laid down specifications. The status

[14] **Construction Division II, Amritsar, Gurdaspur, Construction Division I, Mohali, Construction Division, Patiala, Provincial Division, Sangrur and construction Division, Ropar.**

reports of works inspected were to be submitted by the Engineering Officers to their respective higher authorities in the Department and to the Government as well, for monitoring and record.

During test check in 16 B&R Divisions and in the office of CE (PR), the relevant records were not made available. This indicated that either the periodical inspections, as required to monitor the works and ensure quality work, were not conducted by the Engineering Officers or the status reports of the works inspected were not submitted to the respective higher authorities. This showed not only non-compliance of Government instructions but also revealed that monitoring and control for evaluation of the works was not effective.

Conclusion

3.1.28 Budget estimates were un-realistic as reductions effected could not justify the revised budget estimates. The fund management was deficient as funds were diverted and interest liability was created. MORT&H/PWD specifications were disregarded while according technical sanctions resulting in extra cost. Cash securities were released in advance without a watch on defect liability period. Non-observance of standardisation and adoption of excess quantity had the effect of avoidable extra expenditure which was indicative of lack of cost control mechanism. Monitoring was not only ineffective but almost lacking.

Recommendations

- Budget estimates should be realistically prepared and sound funds management system be evolved to curb diversion of funds and avoid cost escalation;
- Effective planning at macro and micro level should be made with a view to safe guard the interests of Government and effect economy;
- Estimates should be prepared and sanctioned strictly according to MORT&H/PWD specifications and Government/Department instructions and standarisation;
- The defect liability period should be observed strictly while releasing cash security to the contractors and
- The monitoring should be made effective to ensure quality of works as per the laid down specifications.

Matter was referred to Government/Chief Engineer (July 2008); reply has not been received (July 2008).

CHAPTER-IV

AUDIT OF TRANSACTIONS

CHAPTER-IV

AUDIT OF TRANSACTIONS

Audit of the departments of the Government, their field formations as well as of the autonomous bodies brought out several instances of lapses in management of resources and failures in the adherence to the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs.

4.1 Loss to State exchequer

RESEARCH AND MEDICAL EDUCATION DEPARTMENT

4.1.1 Loss to State exchequer of Rs 28.51 lakh

Short charging of blood processing fee from private hospitals and nursing homes resulted in loss of Rs 28.51 lakh to State exchequer

The Government of India, Ministry of Health and Family Welfare (National Aids Control Organization), New Delhi (GOI) instructed (January 2006) all the Project Directors of the State Aids Control Societies that in cases where blood and blood components are issued by Government and voluntary blood banks to private hospitals/nursing homes, full processing charges at the rate of Rs five hundred per unit of blood be realised from them. Accordingly, the Project Director, Punjab State Aids Control Society, Chandigarh (Director) circulated (January 2006) these instructions to the Principals of Medical Colleges in the State and Civil Surgeons of all the Districts to recover service charges applicable to Government and private blood banks.

Scrutiny of records (March 2008) of the Medical Superintendent, Sri Guru Teg Bahadur Hospital, Amritsar (Hospital), attached with the Principal, Government Medical College, Amritsar disclosed that two[1] blood banks were catering to the needs of blood of patients admitted to the Hospital besides issuing blood to private hospitals and nursing homes on payment basis. It was further, noticed that these two blood banks issued 16772 units[1] of blood to the private nursing homes and hospitals during the period February 2006 to January 2008 at the rate of Rs 330 per unit instead of Rs 500 per unit in violation of instructions of GOI. Thus, failure of the department to implement the instructions of GOI regarding charging of blood processing fee at revised rates from private hospitals/nursing homes resulted in loss of Rs 28.51 lakh to State exchequer.

On being pointed out (March 2008), the Medical Superintendent of the Hospital stated that the instructions had not been received in the institution. The reply was not acceptable as Government Medical College, Patiala had implemented the same during the period after the receipt of these instructions.

The matter was referred to Government (March 2008); reply has not been received (July 2008).

[1] **Blood Bank Sri Guru Teg Bahadur Hospital, Amritsar: 9562 units and Guru Nanak Dev Hospital, Amritsar: 7210 units**

4.2 Infructuous/wasteful expenditure and overpayment

IRRIGATION AND POWER DEPARTMENT

4.2.1 Overpayment

Overpayment of Rs 87.55 crore due to irregular counting of special increments granted to work charged employees in violation of Government instructions

The instructions issued (1968) by Punjab Government read with a clarification dated March 2006 provided that advance/special increments as an incentive to work charged employees were withdrawn in August 1968 and were not to be taken into account as pay for pensionary benefits. In December 1999, Government of Punjab ordered that recovery be made immediately and wrong fixation of pay of the employees corrected.

Scrutiny of records (May 2005) of divisions and Financial Advisor and Chief Accounts Officer (FA & CAO) of Ranjit Sagar Dam (RSD), Shahpur Kandi Projects and information collected subsequently in October 2007 revealed that the Chief Engineer, RSD, Irrigation Works, while regularising (March, 1996) the services of work charged employees of 15 divisions ordered (November 1996) that pay of each workman be fixed on the basis of pay drawn as on 13 March, 1996 by including all special increments. The Chief Engineer's orders, issued in contravention of the Government instructions, resulted in overpayment of Rs 87.55 crore to 9074 workmen out of which 2473 had already retired as on February 2008.

On being pointed out in March 2003 and May 2005, the State Government though stayed (November 2006) the recoveries of excess payment made on that account, but instructed in January 2008 to take immediate action to re-fix the pay of those employees within a month, so as to avoid the recurring loss to the state exchequer.

Thus, lapse on the part of the project authorities initially to order inclusion of advance increments while fixing the pay on regularisation of work charged employees in disregard to the Government instructions and then allowing extension of the recurring benefits resulted in overpayment of Rs 87.55 crore.

The matter was referred to Government in February 2008; reply has not been received (July 2008).

INDUSTRIES AND COMMERCE DEPARTMENT

4.2.2 Inadmissible/excess payment

Non-adherence to the provisions of the Industrial Investment Code and incorrect computation of FCI resulted in inadmissible/excess payment of investment incentive (capital subsidy) of Rs 82.96 lakh

(a) With a view to attract fresh industrial investment and to promote growth of industry in the State, the Government introduced various incentives under the Industrial Policies of 1992 and 1996 regulated under respective

Industrial Incentive Codes (Codes). Incorrect payment of investment incentive (capital subsidy) under Industrial Incentive Code 1992 made to units which neither had land in their name nor any lease deed executed in their favour, in contravention of the provisions of the industrial policy was pointed out in para 3.1 (c) (i) of the CAG's Audit Report for the year ended 31 March 1997. The Public Accounts Committee observed (March 2004) *interalia* that the investment incentive had been given incorrectly.

Audit scrutiny (October/November 2007) of records of Director of Industries Punjab, Chandigarh disclosed that this irregularity still persisted. Investment incentive (capital subsidy) of Rs 66.96 lakh was again given (April 2007) to six units, ***(Appendix 4.1)*** which neither had their own land and building nor possessed lease deed in their favour for prescribed period of not less than ten years in contravention of provisions of Codes.

Thus, the non-adherence to the provisions of the codes resulted in inadmissible payment of investment incentive (capital subsidy) of Rs 66.96 lakh.

(b) As per provision of 6.1 (b)-II of Industrial Incentive code (Code) under Industrial Policy 1996, capital subsidy at the rate of 30 *per cent* and 20 *per cent* of fixed capital investment (FCI) (depending upon area) was admissible to eligible Industrial units. The FCI was to form the sum total of investment made on land, building, plant & machinery and certain other items restricted to project cost as approved by the financial institution. Investment made on construction of labour quarters, purchase of old and used machinery and installation charges etc. were, however, not to be considered for computation of FCI.

Scrutiny (October/November 2007) of the records of Director of Industries, Punjab revealed that contrary to provisions of Code, in case of eight firms, the investment made on construction of labour quarters, (Rs 9.31 lakh) purchase of old and used machinery (Rs 15.05 lakh) and installation charges (Rs 33.39 lakh) was included in the FCI. Consequently Rs 2.40 crore were paid against total payable capital subsidy amounting to Rs 2.24 crore. Failure of department to work out FCI, as per provisions of Code, resulted in excess payment of capital subsidy of Rs 16 lakh. The Director did not respond to audit during local audit (October/November 2007).

The matter was referred to Government (January and February 2008); reply has not been received (July 2008).

RESEARCH AND MEDICAL EDUCATION DEPARTMENT

4.2.3 Excess payment of electricity bills

Inaction on the part of the department to get the tariff plan changed from the PSEB despite reply to the PAC not only resulted in excess payment of Rs 81.19 lakh but also misled the PAC

As per para 87.1.1 of Electricity Supply Regulations of Punjab State Electricity Board (PSEB), educational institutions should be charged at domestic supply (DS) rates for supply of electricity. Since medical college hospitals are attached with medical colleges excess payment of electricity bills amounting to Rs 1.31 crore due to application of non-residential supply (NRS) rates instead of DS rates was pointed out in paragraph 3.2.9.3 of the Comptroller and Auditor General of India's Audit Report (Civil)-Government of Punjab, for the year ended 31 March 1998.

The Public Accounts Committee (PAC) discussed the paragraph and decided not to pursue in view of reply of the Department as the Department stated (May 2002) that the PSEB had started charging DS rates w. e. f. 1 May 1998 instead of NRS rates.

Scrutiny of records (March 2008) of the Medical Superintendent, Sri Guru Teg Bahadur Hospital, Amritsar (MS) disclosed that despite Department's reply (May 2002) to the PAC that PSEB had started charging domestic tariff w.e.f. 1 May 1998 the payment of electricity bills was still being made at NRS rates instead of DS rates. Thus, continuance of payment of electricity bills on NRS rates resulted in excess payment of Rs 81.19 lakh during March 2002 to December 2007.

On being pointed out, the Medical Superintendent stated (March 2008) that the matter had already been taken up (June 2006, July 2006 and November 2007) with the PSEB and outcome would be intimated later on. The reply was not in accordance with the Department's submission to PAC in May 2002. Thus, inaction on the part of the Department to get the tariff plan changed from the PSEB despite their submission to the PAC not only resulted in excess payment of Rs 81.19 lakh but also amounted to misleading the PAC.

The matter was referred to Government (April 2008); reply has not been received (July 2008).

PUBLIC WORKS DEPARTMENT
(BUILDINGS AND ROADS BRANCH)

4.2.4 Infructuous expenditure

Action of the EE to get the SDBC work done instead of patch work on the road already approved for upgradation under PMGSY resulted in infructuous expenditure of Rs 36.46 lakh

The Executive Engineer, Provincial Division, PWD, B&R, Nawanshahar (EE) submitted (March 2006) a proposal to upgrade Banga-Garhshankar road (KM 0 to 9.33) under Pradhan Mantri Gram Sadak Yojna (PMGSY). The State level standing committee under the Chairmanship of the Chief Secretary cleared the proposal for Rs 4.58 crore in its meeting of June 2006.

Scrutiny of records (June 2007) of the EE disclosed that the EE submitted another estimate in May 2006 for laying Semi-Dense Bituminous Concrete (SDBC) on the same road (annual repair to Banga-Garhshankar road Km 0 to 9.33) to the Chief Engineer (CE). The CE accorded (July 2006) technical sanction to the estimate at a cost of Rs 92.81 lakh. The EE allotted (July 2006) the work to a contractor at a tendered cost of Rs 82.57 lakh with a time limit of two months. After spending Rs 38.20 lakh on patch work (Rs 1.74 lakh) and on laying SDBC (Rs 36.46 lakh) on four km stretch, the EE on realization, that this road was already covered under PMGSY, suspended (September 2006) the work of laying SDBC and allotted (August 2007) the work of upgradation under PMGSY for Rs 3.94 crore. The work of upgradation was in progress and expenditure of Rs 1.68 crore has been incurred (February 2008).

The decision of the CE and EE to award the work of laying SDBC instead of getting only patch work done to keep the road traffic worthy, as proposed by EE (September 2006) itself after sanction of upgradation under PMGSY, led to an infructuous expenditure of Rs 36.46 lakh.

On it being pointed out (November 2007 and February 2008), the EE intimated (February 2008) that the work was started on demand of the public and civil administration. The reply was not tenable because EE ignored the fact that the road had been proposed for upgrading under PMGSY at the time of award of work of annual repairs and got the SDBC laid in a hasty manner which led to an infructuous expenditure of Rs 36.46 lakh on four out of the 9.33 KM stretch.

The matter was referred to Government (November 2007); reply has not been received (July 2008).

4.2.5 Unfruitful expenditure

Starting work without the provisions of public health utilities, electrical installations and developmental works in the estimate led to unfruitful expenditure of Rs 31.46 lakh incurred on the incomplete civil work

Additional Deputy Commissioner (Development), (ADC (D)) Roopnagar accorded (November 2004) administrative approval for Rs 35 lakh for construction of Senior Secondary School for Boys at Roopnagar, on the basis of estimate submitted by Education Department containing provision of civil work only. Rs 35 lakh were released (November 2004) by the ADC (D) to Executive Engineer, Construction Division, Roopnagar (EE) for execution of work.

Scrutiny of records of EE revealed (October 2007) that the work was awarded (June 2005) to a contractor at the tendered cost of Rs 31.20 lakh. The work was to be completed within nine months. An expenditure of Rs 31.46 lakh was incurred on the work upto March 2007. The work was stopped after laying one-third area of roof as the structural drawings were not approved by the department. The EE had to revise (November 2006) the estimate to Rs 71.40 lakh to include, provisions of public health utilities such as drinking water facility, toilets, etc., electrical installations and developmental works such as internal roads, footpath, kerb channels, etc. This estimate was again revised to Rs 104.38 lakh (September 2007) due to increase in rates. The revised sanction is still awaited (July 2008). No funds have been received after November 2004 for the completion of work. After incurring an expenditure of Rs 31.46 lakh the work was lying incomplete since March 2007.

Thus, starting of work on the basis of estimate without the provision of public health utilities, electrical installations and developmental works rendered the expenditure of Rs 31.46 lakh incurred on the work as unfruitful.

On being pointed out (October 2007) the EE admitted (January 2008) that work was stopped due to non-receipt of funds. The reply of the department was not tenable as the department undertook the execution of work on the basis of a faulty estimate, which lacked the provision of basic items of public health utilities, electrical installations and other developmental works.

The matter was referred to Government (February 2008); reply has not been received (July 2008).

RURAL DEVELOPMENT AND PANCHAYATS DEPARTMENT

4.2.6 Wasteful expenditure

Unrealistic proposal without survey resulted in wasteful expenditure of Rs 33.24 lakh and non-availment of balance central assistance of Rs 1.11 crore

To tackle the unemployment problem and uplift the below poverty line (BPL) families, Punjab Government submitted (2000-01) a proposal to Government of India (GOI) for setting up a 'Carpet Weaving Training-cum-Production Centre' in Amritsar at a cost of Rs 3.07 crore[2]. While preparing the proposal the Department observed that no risk was involved as there was a great demand of good quality hand-knitted carpets in foreign markets and many trained weavers were engaged in this local industry. On the basis of the proposal of the Department, GOI accorded (April 2001) administrative approval to the project on cost sharing basis between the GOI and the Punjab Government (75:25). The project was to be completed within two years from the date of sanction i.e. by April 2003. Under the scheme 24 Carpet Weaving Training-cum-Production Centres were to be set-up in which 72 Self Help Groups (SHGs) were to be given 12 months extensive training in weaving, washing and finishing. Thereafter these centres were to be converted into production centres. The GOI released Rs 1.16 crore (April 2001) as the first installment of its 75 *per cent* share to District Rural Development Agency, Amritsar (DRDA), the implementing agency. The Punjab Government also released (August 2001) its own share of Rs 38.63 lakh. The second instalment was to be released on utilization of 60 *per cent* of amount already released.

Scrutiny (October 2007) of records of Additional Deputy Commissioner (Development), Amritsar (ADC) revealed that the DRDA got 10 sheds constructed at a cost of Rs 33.24 lakh (Rs 5.28 lakh of Central Share, Rs 1.76 lakh of State Share and Rs 26.20 lakh of interest earned on funds released by GOI and Punjab Governments) during 2001-03 for the purpose of training-cum-production centres. Before commencing any training/weaving work an experts meeting was held in October 2003, by the ADC, Amritsar to review the project. After detailed deliberations a decision was taken to abandon the project and it was finally wound up (July 2007). The reasons as opined by the experts were that the project was not viable as carpets manufactured would not fetch any demand in foreign markets due to poor quality of dye, child labour

[2] **Infrastructure Development: Rs 1.13 crore; Training: 0.67 crore; Revolving funds: 0.07 crore and Subsidy: 0.79 crore; Marketing supports: 0.41 crore.**

being used in production and non-availability of skilled labour due to low wages being offered.

The unspent balance amounting to Rs 1.48 crore (Rs 1.11 crore central share and Rs 0.37 crore State Share) was refunded (September 2007) to GOI/State Government. The 10 sheds already constructed are lying unused.

Thus, submission of unrealistic proposal without proper survey resulted in wasteful expenditure of Rs 33.24 lakh. It also could not generate the objective of providing skills to the unemployed BPL families.

On being pointed out in audit, ADC admitted the facts (November 2007).

The matter was referred to Government (February 2008); reply has not been received (July 2008).

4.3 Undue favour to contractors and avoidable expenditure

PUBLIC WORKS DEPARTMENT
(BUILDINGS AND ROADS BRANCH)

4.3.1 Avoidable expenditure due to allotment of work at higher rates

Non-finalisation of bid within its validity period led to allotment of work to second lowest bidder causing avoidable expenditure of Rs 13.20 crore

The Government of Punjab (GoP) secured a loan from the International Bank for Reconstruction and Development-a unit of World Bank (WB) towards the cost of Punjab State Road Sector Project (Project) and intended to apply part of the loan on the upgradation of Kharar-Banur-Tepla Road (work). GoP was Project Implementing Entity (PIE) represented through the Chief Secretary, and the PIE was to carry out the project through Punjab Road and Bridges Development Board (PRBDB).

Scrutiny of records (February 2008) of Executive Engineer, Central Works Division, Mohali (EE) disclosed that bids for the work estimated for Rs 114.18 crore were invited in October 2006 with last date for receipt on 29 November 2006, valid for 120 days i.e. upto 30 March 2007. Out of the eight bids received, the lowest bid (L-1) was for Rs 95.78 crore. The Tender Evaluation Committee[3] (TEC) initially took 32 days (29.11.2006 to 31.12.2006) to examine the bids. After examination of the bids, EE took 14 days (3.1.2007 to 16.1.2007) to examine the recommendation of the TEC and then to got certain clarifications on the bid from the L-1. Thereafter, the TEC took another 60 days (16.1.2007 to 15.3.2007) to evaluate the clarification received from L-1. Finally, on the recommendation of the TEC to award the work to L-1, PRBDB sought "no objection" from the WB for award of work to the L-1 on 17 March 2007 and requested all the tenderers on 28 March 2007 to extend the period of validity of their bids up to 18 May 2007. L-1, however, conveyed its inability to extend the validity on 29 March 2007. On receipt of refusal from the L-1,

3 **Comprising of concerned EE, one EE representing CE, one EE representing Chief Vigilance Officer, Deputy Project Director PRBDB and Consultant Finance.**

the TEC evaluated the bid of the second lowest (L-2) and awarded the work to the L-2 on 12 July 2007 at a cost of Rs 108.98 crore after receiving the "no objection" from the WB. The agreement was executed in August 2007 and an expenditure of Rs 21.66 crore had been incurred up to June 2008 out of which Rs 10.90 crore is the mobilisation advance to the contractor. The physical progress is three *per cent*.

On being pointed out (February 2008) the EE, intimated that the L-1 did not submit the performance guarantee within the stipulated period as such the L-2 was awarded the work as per conditions of the Contract. As no negotiations were carried out with the L-2, the work was allotted at the rates quoted. The reply of the EE was not relevant, as the event of furnishing of performance guarantee arises only on award of the work. On this being pointed by Audit, for furnishing misleading reply to the Audit, the PRBDB has now called for (July 2008) the explanation of the EE. The PRBDB in its reply (June 2008) attributed the delay to the imposition of model code of conduct during general election of legislative assembly. The reply of the PRBDB is not tenable as the Election Commission of India, imposed the code on 29 December 2006 i.e. after receipt of tenders. Government of Punjab took up the case with the Election Commission in January 2007 and the approval to the Project was received on 14 February 2007 i.e. before expiry of original bid validity. As such the imposition of code, in no way, restricted the processing/finalisation of bids.

Thus the failure of PIE in finalising the bid within the original validity period of bids led to avoidable expenditure of Rs 13.20 crore (Rs 108.98 crore– Rs 95.78 crore) on account of allotment of work at higher rates to L-2.

The matter was referred to Government (March 2008); the reply has not been received (July 2008).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.3.2 Extra burden of Rs 11.83 crore

Delay on the part of the Government of over six years in identifying the agency for commercial exploitation of land led to incurring of an extra expenditure of Rs 11.83 crore as interest

The Government Mental Hospital, Amritsar (Hospital) established in 1948 on 86 acres (approx.) land had gradually deteriorated with the passage of time. The State Government decided (January 2001) to construct a 450 bedded hospital on the existing premises to be called the 'Institute of Mental Health' (IMH). The Government entrusted this project to Punjab Health Systems Corporation (PHSC) and transferred (January 2001) the control of Hospital along with its buildings, land and assets and liabilities to the PHSC for implementation of the project.

Scrutiny of the records of the PHSC revealed (December 2007) that PHSC commenced the work of IMH in May 2001 and arranged a term loan of Rs 40 crore from Punjab and Sind Bank in August 2001 by mortgaging the land measuring 455 kanal and 15 marla (56.97 acre) out of which loan amounting to Rs 32.94 crore was actually drawn during August 2001 to July 2003. The loan along with interest of Rs 8.12 crore was to be fully repaid by the end of financial year 2005-06, and it was to be repaid from the funds generated by the commercial exploitation of surplus land. Accordingly the PHSC approached (September 2003) the Punjab Urban Development Authority (PUDA) but PUDA conveyed (February 2004) its inability on the plea that the project of commercial exploitation of land was techno-economically unviable. Thereafter, the PHSC, proposed (November 2004) to Government to engage the Punjab Police Housing Corporation (PPHC) for commercial exploitation of available surplus land. However, the Government neither agreed to this proposal nor identified any other agency upto November 2005, when the Government entrusted this work to PUDA. Thereafter, the PHSC and PUDA entered into (December 2006) an agreement for disposal of surplus land. As per provisions of agreement, 16.65 acre of land was transferred (March 2007) in the name of PUDA who released to PHSC (between March 2007 and May 2007) Rs 37.05 crore, adjustable after disposal of the site, towards full and final settlement of pending term loan. The term loan was fully repaid/settled in June 2007. However, commercial exploitation of land could not materialise (July 2008). Thus, delay of six years on the part of the Government in identifying the agency for commercial exploitation of surplus land led to incurring of an extra expenditure of Rs 11.83[4] crore as interest on delayed repayment of term loan.

On being pointed out (May 2008) in audit, the Managing Director of PHSC admitted (June 2008) the facts that delayed repayment of loan resulted in extra expenditure on account of interest.

The matter was referred to Government (March 2008); reply has not been received (July 2008).

PUBLIC WORKS DEPARTMENT
(BUILDINGS AND ROADS BRANCH)

4.3.3 Non-recovery of liquidated damages

Failure to adhere to contract clauses led to non-recovery of liquidated damages and compensation amounting to Rs 2.39 crore

The Executive Engineer, Central Works Division No. 3, Ludhiana (EE) on behalf of Punjab Infrastructure Development Board (PIDB) invited tenders (August 2000) for the work "Construction of High Level Bridge over Sutlej river and five small bridges including Guide Bunds and approaches on Khanna–Samrala–Machhiwara–Rahon–Nawanshahar road". The work was awarded (February 2001) to the lowest tenderer at a cost of Rs 31.84 crore with the time limit of 18 months (up to August 2002). As per clause 1 of the agreement, security at the rate of five *per cent* was to be progressively deducted in all bill payments. This security was convertible into fixed deposit receipts pledged in favour of Engineer-in-charge by designation. Clause 2 (a) of the agreement provides that if the contractor fails to achieve progress of work as per time schedule, liquidated damages limited to maximum five *per cent* of the amount of contract shall be levied. Clause 3 of the agreement

4 **Interest to be paid: Rs 8.12 crore; Interest actually paid: Rs 19.95 crore; Extra payment of interest: Rs 19.95 crore – Rs 8.12 crore = Rs 11.83 crore.**

further provides that if contractor commits breach of contract under any of its clauses, he shall be liable to pay a compensation of five *per cent* of the amount of contract as penalty. Liquidated damages and compensation for breach of contract under both the clauses (2 (a) & 3) shall be limited to 7.5 *per cent* of the amount of the contract.

Scrutiny of records (November 2007) of the EE revealed that Rs 23.34 crore were paid to contractor up to 86th running bill (October 2005) but the contractor could not complete the work inspite of being granted extensions from time to time up to 30 June 2005. Due to slow progress of the work, EE withdrew some items of work in June 2006 and by invoking clause (2) of agreement sent a proposal to CE for termination of the contract agreement. The EE also levied (February 2007) liquidated damages and compensation amounting to Rs 2.39 crore (7.5 *per cent* of contract value) under clause 2 (a) & 3 of the contract agreement.

The amount of liquidated damages/penalty could not be recovered from the contractor due to the reasons that (i) the department failed to get the bank guarantee of Rs 1.60 crore revalidated beyond 11 December 2005; (ii) the FDRs of Rs 1.01 crore, accepted by the EE in lieu of security, carried the condition of crediting the interest on FDRs in the account of contractor till its maturity (August 2016), due to which, the Banking Ombudsman (Banking Lokpal) showed its inability (August 2007) to get the FDRs encashed till its maturity.

Thus, the failure of the EE to get performance guarantee revalidated and accept conditional FDRs resulted in non-recovery of Rs 2.39 crore on account of liquidated damages/compensation. It was also not understood how the Bank permitted this condition when the FDRs stood in favour of the EE. This tantamounts to the EE's having extended undue benefit to the contractor.

On being pointed out (November 2007), the EE intimated (July 2008) that it was seen from the tentative final bill that it would cover the recovery of Rs 2.39 crore. The final bill, however, is yet to be passed and the recovery effected. The EE has also not intimated the amount of the bill.

The matter was referred to Government (March 2008); reply has not been received (July 2008).

AGRICULTURE/IRRIGATION AND POWER DEPARTMENT

4.3.4 Non-recovery of departmental charges

Non-recovery of departmental charges amounting to Rs 74.63 lakh

(a) According to the Financial Rules[5], departmental charges (DC) are leviable at the rate of 27.5 *per cent* on deposit works undertaken by any Government department on behalf of any local body or other parties. Remission of these charges is not permissible except with the approval of the Finance

[5] **Rule 7.131 of DFR read with Paragraph 8 of Appendix 2 (amended) and Rule 2.10 (a) (i) of Punjab Financial Rules volume 1.**

Department. Punjab Mandi Board (PMB) had also adopted these Departmental Financial Rules and common schedule of rates for execution of works.

Despite this irregularity having pointed out through earlier Audit Reports (Para 4.2.2 of 2004-05 and Para 4.3.7 of 2006-07), audit scrutiny of the records of the Executive Engineer, Bathinda Canal Division, Bathinda (EE) disclosed (February 2008) a similar case. A Sullege Carrier Channel (SCC) of 16 cusecs capacity flows between two irrigation channels, the Bathinda Distributory (RD 37350 to 45600) and Bhawanigarh Minor (RD 0-24575). The Commissioner, Municipal Corporation (MC), Bathinda deposited Rs 2.21 crore (January & June 2006) with the Division to increase the capacity of existing SCC from 16 cusecs to 60 cusecs to accommodate increased sewerage discharge due to increase in habitation.

Chief Engineer, Irrigation Works, Punjab, Chandigarh, while approving (August 2005) the estimate for remodeling/rehabilitation of SCC amounting to Rs 2.21 crore did not levy DC on the plea that SCC shared common banks with the two channels (Bathinda Distributory and Bhawanigarh Minor channels) of Irrigation Department as it runs in between both the Irrigation Channels.

The work was commenced in March 2006, and against deposit of Rs 2.21 crore, an expenditure of Rs 2.12 crore was incurred up to July 2006 but neither the approval of the FD was obtained for remission of DC nor DC on the value of work executed (Rs 2.12 crore) on behalf of MC was levied or recovered resulting in non-recovery of DC amounting to Rs 58.36 lakh.

On being pointed out (February 2008) the EE/SE, reiterated (June 2008) that DC had not been levied as the banks of SCC were common with the Bathinda Distributory and Bhawanigarh minor. Hence the common banks were raised and strengthened with MC funds along with increasing the capacity of the SCC. After increasing the capacity of the SCC to 60 cusecs the full supply level would be higher than the irrigation channels. The polluted water could overflow into the irrigation channel. This would lead to pollution of the water, which was also used for drinking purposes. The reply was not tenable because the common banks of the Irrigation Channels had to be raised as a result of increasing the capacity of the SCC at the behest of MC. Hence the DC amounting to Rs 58.36 lakh should have been recovered.

(b) Scrutiny (November 2007) of records of Executive Engineer, (PMP Division) PMB, Chandigarh (EE) disclosed that Director General, School Education Board, Punjab ICT Education Society (Society) assigned (November 2006) two[6] works estimated at Rs 1.39 crore to EE for execution. The EE made provision of five *per cent* departmental charges instead of 27.5 *per cent*. The EE commenced the work (between December 2006 and July 2007) and an expenditure of Rs 59.18 lakh was incurred (January 2008) but the departmental charges of Rs 16.27 lakh were not levied on the society.

[6] **Establishment of studio at Punjab School Education Board, Mohali, (Estimate cost: Rs 38.54 lakh) and construction of Microsoft Academy at Sr. Secondary School, Phase III, Mohali (Estimate cost: Rs 100.34 lakh).**

Even the departmental charges levied at the rate of five *per cent* in the estimates, were not recovered by the PMB.

On being pointed out (November 2007), the EE stated that provision of five *per cent* departmental charges was made in the estimate on adhoc basis, technical sanction to which was given by Chief Engineer, PMB. Chief Engineer PMB stated (February 2008) that the Secretary, PMB approved (July 2006), the provision of departmental charges at the rate of five *per cent* on the plea that Mandi Board was also executing its own works along with these works and no additional staff was engaged for this work. The reply was not tenable because as per Departmental Financial Rules, 27.5 *per cent* departmental charges were leviable on deposit works executed by PMB. The execution of its own works along with deposit works has no bearing on the rate of departmental charges to be levied.

The matter was referred to Government (December 2007 and March 2008); reply has not been received (July 2008).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.3.5 Avoidable expenditure on compensation

Failure of the Corporation to obtain exemption or to get vehicles insured in accordance with provisions of the Act caused it to incur avoidable expenditure of Rs 45.17 lakh

Section 146 (1) of Chapter XI of the Motor Vehicles Act, 1988 (Act) prohibits use of a motor vehicle in a public place without an insurance policy except when the appropriate Government may, by order, exempt from the operation of sub-section (1) any vehicle owned by any of the following authorities, namely: (a) Central Government or a State Government; (b) any local authority and (c) any State transport undertaking. However, the State Government exempted (June 1989) the vehicles owned by the State Government only and used for Government purposes unconnected with any commercial enterprise.

Security of records (November 2007) of the Managing Director, Punjab Health Systems Corporation, Mohali (Corporation) disclosed that neither the Corporation had obtained exemption under the sub-section of the Act nor got its vehicles insured in accordance with the rules *ibid*.

Three of the corporation owned vehicles were involved in five accidents. Consequently affected persons/families (third parties) filed five petitions (between November 1999 and May 2005) against the Corporation in the Motor Accident Claims Tribunals (MACT). MACT decided these cases (between September 2004 and December 2006) against the Corporation and awarded compensation of Rs 37.01 lakh to the affected persons/families. Corporation paid compensation of Rs 37.01 lakh (between May 2006 and March 2007) alongwith interest amounting to Rs 8.16 lakh from the date of filing of petitions to the date of payment.

Thus, failure of the Corporation to get the vehicles insured in accordance with provisions of the Act caused it to incur avoidable expenditure of Rs 45.17 lakh.

On being pointed out in audit, the Corporation stated (November 2007) that the vehicles were not got insured under the impression that the Government vehicles were exempted from the necessity of insurance as per notification issued by the Government in the year 1989. The plea of the Corporation was not acceptable as the said notification exempted only the vehicles owned by the State Government and used for government purpose unconnected with any commercial enterprise.

The matter was referred to Government (May 2008); reply has not been received (July 2008).

4.4 Idle investment/idle establishment/blocking of funds, delays in commissioning, diversion/mis-utilisation of funds

PUBLIC WORKS DEPARTMENT
(BUILDINGS AND ROADS BRANCH)

4.4.1 Blockade of funds

Non-submission of structurally sound proposal and delay in finalising the design of foundations resulted in blockade of Rs 2.55 crore

As per Para 2.4 & 2.5 of PWD Code, it is necessary to obtain the administrative approval of the department concerned before technical sanction to the work is accorded. Such approval should not, however, be accorded until the professional authorities have intimated that the proposals are structurally sound and that preliminary estimate is sufficiently correct for the purpose.

Scrutiny of records (August 2007) of the Executive Engineer, Construction Division No. 2, Ludhiana (EE), revealed that Government of Punjab, Department of Home Affairs and Justice, Chandigarh accorded administrative approval (January 2004) to the work of "Construction of Judicial Court Complex at Samrala in district Ludhiana" at an estimated cost of Rs 3.94 crore. The work was awarded (December 2004) with open foundations as provided in the estimate to a contractor at the tendered cost of Rs 2.60 crore with a time limit of 12 months. The work was awarded by the EE without getting the technical sanction of the competent authority. Four months after allotment of work, the Chief Engineer proposed (April 2005) to adopt pile foundations instead of open foundations as the site is located in Zone IV. The soil was investigated (May 2005) and the CE ordered (June 2005) adoption of pile foundations owing to which the cost of foundations increased by Rs 1.71 crore. The revised drawings with pile foundation were finally approved in December 2005 i.e. one year after the award of work. Due to this time overrun, cost escalated by Rs 3.21 crore owing to increase in the rates and new items of work valuing Rs 1.61 crore were also included thereby increasing the overall cost of the work to Rs 10.47 crore. After executing the work valuing Rs 2.55 crore with pile foundations, the work was suspended (March 2007) for want of revised administrative approval.

On being pointed out (August 2007), the EE admitted the delay in the start of work and attributed it to non-receipt of approved drawings from the competent authority. He further intimated that since the site fell in Zone IV, the design of the foundations was changed and as per practice, the estimates of buildings are technically sanctioned on preparation of estimate on actual basis after the completion of work. The reply itself confirms the department's failure to adopt foundations of building suitable to Zone IV at the time of preparation of original estimate and prior to allotment of work.

The failure was in not doing the soil investigation before preparing the estimates and awarding the work in January 2004 even though it was known that the area was in Zone IV. Further, the work was awarded without obtaining the approval of the Competent Authority. This has led to suspension of work, thereby resulting in the blockade of Rs 2.55 crore as also in an estimated escalation of Rs 3.21 crore.

The matter was referred to Government (December 2007); reply has not been received (July 2008).

4.4.2 Unproductive expenditure

Commencement of work without ascertaining availability of deposits resulted in unproductive expenditure of Rs 2.47 crore incurred on incomplete buildings

Government of Punjab, Medical Education and Research Department (Government) accorded (August 2004) administrative approval of Rs 8.27 crore to the work of "Expansion of Dental College, construction of Boys hostel, auditorium, guest house, staff quarters etc. at Amritsar."

Scrutiny of records (November 2007) of the Executive Engineer, Provincial Division (PWD B&R) Amritsar (EE) disclosed that the EE, after calling tenders (November 2004), awarded (January 2005) the civil work to a contactor at a tendered cost of Rs 4.92 crore to be completed in 36 months. Though the Government made budget provision of Rs 1.38 crore and Rs two crore during 2004-05 & 2006-07, yet Finance Department did not release any funds for the work. The Chief Engineer, PWD (B&R) diverted (December 2006) Rs 1.18 crore from the work "Expansion and Improvement of Medical College at Amritsar" and released the amount to EE for expansion of the Dental College. The EE paid Rs 1.19 crore to contractor upto March 2007 and total expenditure booked to work was Rs 1.20 crore. After executing further work valuing Rs 0.50 crore (between April 2007 and September 2007) the contractor left the work incomplete due to non-payment of running bills. The work (Expansion of Medical College) from which the funds were diverted was also lying incomplete for want of further funds after spending Rs 1.27 crore against the administrative approval of Rs 4.81 crore.

On being pointed out (November 2007), the EE while admitting the facts intimated (January 2008) that the work could not be executed for want of funds.

Thus, failure of the EE to commence work without ascertaining availability of funds, coupled with non-release of funds by the Finance Department despite making provisions in the budget rendered the expenditure of Rs 1.20 crore incurred on incomplete assets as unproductive. Diversion of funds from the work of expansion and Improvement of Medical College at Amritsar also resulted in that project lying incomplete and blocking of Rs 1.27 crore.

The matter was referred to Government (December 2007); reply has not been received (July 2008).

4.4.3 Blockade of funds

Commencement of work without structural designs and administrative approval for sufficient funds led to suspension of work and blockade of Rs 2.29 crore

Department of Revenue, accorded (August 2005) administrative approval of Rs 3.96 crore to the work of "construction of tehsil complex" at Mukerian consisting of construction of administrative block and residential quarters.

Scrutiny of records (August 2007) of the Executive Engineer, Construction Division PWD–(B&R), Mukerian (EE) disclosed that even though the administrative block was multi-storied and therefore required structural designing, estimates were prepared based on rough cost estimates by taking the plinth area rate of November 2004 meant for ordinary buildings.

After calling for tenders, the works of administrative block and residential quarters were awarded (November 2005 and January 2006) to a contractor at a cost of Rs 2.89 crore. The works were to be completed within six months i.e. by April 2006/June 2006. The structural drawing was to be supplied by the contractor free of cost. The Chief Engineer (CE) approved (January 2006) structural drawing of administrative block submitted (November 2005) by the contractor. This involved major changes[7] in the scope of work. Due to these changes and the resultant increase in the cost of material, the cost of the work escalated to Rs 8.12 crore, an increase of 181 *per cent.* The contractor executed works valuing Rs 2.31 crore upto April 2006. Against the receipt of Rs 75 lakh (March 2006) the EE made payments of only Rs 1.13 crore between January 2006 and April 2006. Aggrieved, the contractor, on completion of contractual time, filed a writ petition (July 2006), demanding the payment of Rs 1.18 crore for the balance work. As per Punjab and Haryana High Court orders (August 2006), the EE made (October 2006) further payment of Rs 1.16 crore on receipt of another Rs One crore. After partial execution of work of construction of administrative block to the extent of contractual value, the contractor suspended (October 2006) the work. The contractor further refused to continue with the work. In his letter dated 22 March 2007 he stated that though the time limit had been extended to 31 March 2007 and he had spent his own funds no further payments were being made to him causing him financial loss due to idle machinery, idle labour as also increase in cost of materials. He further stated that if the contract was not terminated he would file for contempt of High Court

[7] **Considerable replacement of brick work with RCC work, providing & fixing Dholpur stone for face work, finishing work in the red stone, kotta stone, rolling shutters, pressed steel door frames in place of wooden door frames, framed grills and doors, chequerd tiles besides other changes.**

orders. The EE then recommended the termination and the CE agreed to the termination (March 2007) of the agreement for both the works. No further funds were released by the Department of Revenue to complete the remaining work and no further payments were made to the contractor.

Thus, the failure of the Public Works Department in obtaining administrative approval and awarding the work on the basis of rough estimate i.e.without structural designs resulted in the Department of Revenue giving administrative approval to the revised estimate of Rs 8.12 crore only in February 2008. The funds are yet to be provided leading to suspension of work midway and blockage of Rs 2.29 crore spent on the incomplete tehsil complex.

On being pointed (August 2007), the EE intimated (January 2008 and April 2008) that the work would be completed on receipt of funds.

The matter was referred to Government (January 2008); reply has not been received (July 2008).

INDUSTRIES AND COMMERCE DEPARTMENT

4.4.4 Wasteful expenditure on account of pay and allowances of surplus staff

Failure on the part of Personnel Department to frame the rules regarding surplus pool expeditiously and consequently non-adjustment of surplus staff resulted in wasteful expenditure of Rs 2.21 crore

Government ordered closure of 10 Industrial Development Centres and six Quality Marking Centres in the State (July 2004 to September 2004) and declared 109 of its employees surplus. The Director of Industries and Commerce initially requested Financial Commissioner, Excise and Taxation (October 2004) and later on in November 2004 Personnel Department (Surplus pool section) to adjust the surplus staff.

Personnel Department intimated (March and October 2005) that framing of rules regarding surplus staff was under consideration of the Government. The rules are still (January 2008) to be framed and in the meantime Industries and Commerce Department paid salary amounting to Rs 2.21 crore[8] to surplus staff from October 2004 to May 2008 without assigning any work to them.

Thus, failure on the part of Personnel Department to frame the rules for expeditious adjustment of surplus staff and proper pursuance by Industries and Commerce Department (Department) resulted in non-adjustment of surplus staff and unfruitful expenditure of Rs 2.21 crore.

In reply to audit (August 2007) Department stated that matter has been referred to Government (October 2004) and further action is to be taken by the Government. However, the Personnel Department stated (January 2008) that rules were still to be framed.

The matter was referred to Government (February 2008); reply has not been received (July 2008).

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[8] **Basic pay plus dearness pay at the minimum of the time scale of post.**

WATER SUPPLY AND SANITATION DEPARTMENT

4.4.5 Idle expenditure on incomplete works

Inadequate release of funds resulted in idle expenditure of Rs 1.92 crore on incomplete sewerage works

Before taking up the implementation of any project, the Government should make sure that adequate funds are available for execution. Financial prudence requires that no project is left incomplete due to non-availability of funds and abandoned mid way leading to unfruitful investment.

In order to provide sewerage system in six villages[9] of District Fatehgarh Sahib, Government of Punjab, Public Health Department accorded (January 2004) administrative approval for Rs four crore under 'Integrated Rural Development Programme'.

Scrutiny of records (September 2007) of the Executive Engineer, third Water Supply and Sanitation (GW) Division, Mohali (EE), revealed that instead of taking up works as per availability of funds, the EE awarded laying of sewer line in all the six villages (between October 2003 and February 2004) to five different contractors at the tendered cost Rs 2.42 crore with a time limit of three months. Rs 1.96 crore were released between April 2003 and June 2005. The estimates provided for laying of 34972 meters sewerage lines. However, only 20685 meters (59 *per cent*) could be laid at a cost of Rs 1.92 crore. Works in all the six villages remained incomplete as sewerage line laid ranged between 48 and 79 *per cent* only. The remaining work of laying 14287 meters sewerage lines and sewerage disposal work in the six villages was lying incomplete since January 2004 and August 2005.

On being pointed out (September 2007) in audit, the EE stated that matter had been taken up with Additional Deputy Commissioner (Development), Fatehgarh Sahib and Government and the work would be completed on release of funds.

Thus, non-release of funds and spreading the available funds thinly led to the work being halted mid way resulting in idle expenditure of Rs 1.92 crore. The Government also failed in providing the benefits of a sewerage system to the six villages of District Fatehgarh Sahib.

The matter was referred to Government (December 2007), the reply has not been received (July 2008).

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	Name of Village	Estimated Cost (Rs in lakh)	Period since incomplete	Scope of work	Achievement	Percentage of work completed
				(in meters)		
1	Sanipur	78.34	6/2004	6800	3276	48
2	Faraur	95.23	5/2004	10076	6100	61
3	Khera	43.81	8/2005	3276	2600	79
4	Mullepur	59.23	8/2005	5175	3000	58
5	Saunti	68.66	1/2004	5475	3250	59
6	Railon	54.97	1/2005	4170	2459	59
	TOTAL	**400.24**		**34972**	**20685**	

SPORTS AND YOUTH SERVICES DEPARTMENT

4.4.6 Idle expenditure

Failure of the department to ensure availability of estimated funds rendered the expenditure of Rs 1.43 crore idle besides denial of intended benefits as envisaged in the construction of projects

While considering implementation of any project/construction, it is incumbent upon the Government to make sure that adequate funds are available for its execution. Financial prudence requires that no project is left incomplete on grounds of non-availability of funds and execution of work should be planned in such a manner that no work is abandoned half way causing unfruitful expenditure.

Scrutiny revealed (March and August 2007) that District Sports Officer, Patiala and Deputy Commissioner-cum-Member Secretary, Planning Board, Gurdaspur sanctioned (January 2004 and August 2006) Rs 1.42 crore for the construction of Indoor complex in Polo Ground (Rs 70.00 lakh) at Patiala and sports stadiums at Naushara Bahadur and Ghorewal (Rs 36.00 lakh each) in Gurdaspur district. The construction work of indoor complex at Patiala was entrusted (July 2005) to the Punjab State Cooperative Supply and Marketing Federation Limited (MARKFED) at an estimated cost of Rs 1.14 crore. The construction was taken up in November 2005 with stipulated date of completion as 31 August 2006. After spending Rs 82.13 lakh, MARKFED stopped further execution as the District Sports Officer did not remit balance funds. Similarly construction work of stadium at Naushara Bahadur was entrusted (November 2006) to a contractor at a cost of Rs 35.00 lakh was also stopped (May 2007) after spending Rs 26 lakh as the Department deposited back Rs 10.00 lakh in the treasury as per the instructions of the Government of Punjab, Department of Planning. Although stadium at Ghorewal was completed at a cost Rs 35.20 lakh, it has not been taken over by the Sports Department (July 2008).

Thus, failure of the department to ensure availability of estimated funds before taking up construction work and to take over completed stadium at Ghorewal (Gurdaspur) rendered the expenditure of Rs 1.43 crore idle besides denial of intended benefits as envisaged in the construction of projects.

On being asked (May 2008) for the reasons of non-release of balance funds, the District Sports Officer, Patiala stated (May 2008) that due to non-availability of funds further payment could not be made and the works were lying incomplete. As regards to non-taking over of stadium at Ghorewal, the District Sports Officer, Gurdaspur stated (August 2008) that the matter was under process with the Head Office and final reply was awaited (August 2008).

The matter was referred to Government (January 2008); reply has not been received (July 2008).

PUBLIC WORKS DEPARTMENT
(BUILDINGS AND ROADS BRANCH)

4.4.7 Unfruitful expenditure

Proposals for construction of roads without ensuring land availability resulted in unfruitful expenditure of Rs 1.27 crore and deprived the State of central assistance of Rs 1.09 crore

Para 6.2 of the Pradhan Mantri Gram Sadak Yojna (PMGSY) guidelines lay down that State Government was responsible to make the land available for taking up road works. A certificate to this effect was to accompany the proposal for each work. With a view to provide connectivity, on the certification of Executive Engineer Construction Division PWD (B&R), Roopnagar (EE) that land for the road project was available, the Superintending Engineer, Construction Circle PWD (B&R), Chandigarh accorded (February 2004) technical sanction of Rs 4.84 crore for construction of 13 roads with a total length of 31.73 kilometers under PMGSY (Phase III).

Scrutiny of records (October 2007) of the EE disclosed that the construction work of 13 roads was awarded (March 2005) to a contractor at the tendered cost of Rs 5.07 crore. Two roads (6.60 km) were abandoned (March 2007) after constructing 4.125 km at an expenditure of Rs 1.27 crore[10] and five roads (7.18 km) estimated at Rs 1.09 crore were proposed (August 2005) for deletion as alignment of all these seven roads fell under forest area. The EE could complete (October 2006) only six roads (17.95 km) with an expenditure of Rs 2.96 crore.

Thus, the EE framed proposals and issued a certificate confirming the availability of land for construction of roads, without obtaining NOC from Forest Department which resulted in abandonment of partly completed roads rendering an expenditure of Rs 1.27 crore as unfruitful and depriving the State of the central assistance of Rs 1.09 crore as also depriving the public of connectivity from Dhamana to Rajgiri and Bardar to Bardar Tallian. Further, five roads could not be taken up at all as the EE had failed to ascertain the exact status of the land required and failed to take necessary action to obtain approval from the Forest Department.

On being pointed out (December 2007) the EE intimated (February 2008) that completed portion connects school and some habitations, as such the expenditure cannot be treated as ungainful. The reply is not acceptable, as the EE had furnished an incorrect certificate regarding availability of land for road works, which resulted in abandonment of incomplete roadwork, deletion of five roads and connectivity could not be provided as proposed.

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Sr. No.	Name of the road	Sanctioned Length (Kms)	Length completed (Kms)	Expenditure incurred (Rupees in lakh)
1.	Dhamana to Rajgiri	4.20	1.80	91.00
2	Bardar to Bardar Tallian	2.40	2.325	36.10
	Total	**6.60**	**4.125**	**127.10**

The matter was referred to Government (December 2007); reply has not been received (July 2008).

WATER SUPPLY AND SANITATION DEPARTMENT

4.4.8 Unfruitful expenditure

Inadequate release of funds by Government rendered expenditure of Rs 86.37 lakh as unfruitful on incomplete Rural Water Supply Schemes

With a view to provide safe potable drinking water to 24383 inhabitants of 12 villages under the Minimum Needs Programme Government of Punjab administratively approved (between January 1997 and May 2000) four Rural Water Supply Schemes (RWSS) for Rs 1.84 crore as detailed below:

(Rupees in lakh)

Name of Division	Water Supply & Sanitation (RWS) Division, Amritsar	Water Supply & Sanitation (RWS) Division, Gurdaspur			Total (Rs)
Name of Rural Water Supply Scheme	RWSS, Chabba	RWSS, Bham Bhambri	RWSS, Chhod Dostpur	RWSS, Gawara Dabbuja	
Estimated cost/ Amount of Administrative approval (Rs in lakh)	35.97	65.75	42.37	39.94	184.03
Date of Administrative approval	January 2000	January 1997	May 2000	May 2000	
Award of work	December 2000	August 1997	November 2000	November 2000	
Held up since	March 2007	May 2003	May 2003	May 2003	
Expenditure (Rs in lakh)	19.67	48.39	12.05	6.26	86.37
Month of audit	July 2007	January 2008	January 2008	January 2008	
Balance funds required to complete the scheme	16.30	17.36	30.32	33.68	97.66

Scrutiny of the records (July 2007 and January 2008) of two divisions viz Water Supply and Sanitation (RWS) Division, Amritsar and Gurdaspur disclosed that after installation of tubewells, partial execution of Civil works and construction of OHSR (RWSS Bham Bhambri) valuing Rs 86.37 lakh the works were stopped (between May 2003 and March 2007) as Government did not release further funds. Thus, due to failure of the Government in providing requisite funds for over five years in three RWSS and one year in one RWSS and spreading the available resources thinly by taking up all works simultaneously rather than completing a few, none of the RWS schemes could be completed and made functional, thereby rendering the expenditure of Rs 86.37 lakh unfruitful besides denying the benefit of safe potable drinking water to the inhabitants of 12 villages.

The Executive Engineers admitted the facts (July 2007 and January 2008) and stated that the balance works would be completed as and when the funds were received from the Planning Department.

The matter was referred to Government (April 2008); reply has not been received (July 2008).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.4.9 Idle expenditure

Injudicious purchase of equipment resulted in idle expenditure of Rs 85.17 lakh besides denial of the intended benefits of the equipment

Rule 15.2 (b) of Punjab Financial Rules (Volume-I) provides that purchases must be made in the most economical manner and in accordance with the definite requirement of public service.

Scrutiny of records (May 2007) of the Senior Medical Officer, Civil Hospital, Khanna and information collected from 24 other Hospitals[11] under the Department of Health and Family Welfare (Department) disclosed that without obtaining the requirement from user hospitals and even without confirming the availability of technical staff required to operate the Holter Monitor, a device which is given to the patients on loan basis for 24 hours for measuring continuous ECG of patients, the Managing Director, Punjab Health Systems Corporation (MD) placed (September 2001) supply order on M/s Carewell Medical Systems, Chandigarh to supply 30 Holter Monitor-Model C-2000 (Rs 63.87 lakh), 30 Computers and Laser Printers (Rs 21.30 lakh). Although the equipment were received in 30 hospitals[12] between December 2001 and July 2002, these could not be put to use due to non-availability of technical staff even after six years of their receipt. Thus, poor planning led to injudicious purchase of equipment and idle expenditure of Rs 85.17 lakh thereon. The envisaged benefits of the Holter Monitor to the public could not be effected as the MD, PHSC while purchasing the equipment failed to arrange for the staff to use it.

On being pointed out, Senior Medical Officers of 25 out of the 30 user hospitals confirmed (May 2007-July 2008) that the equipment had not been used. They further stated that neither had the hospitals ever demanded the equipment nor were there technical staff available to operate the system. The MD, however, stated (March 2008) that the purchase was not based on the definite requirement from the hospitals but in accordance with the norms of the State Government finalized in consultation with the World Bank which were derived to provide public service of a level envisaged.

The reply of the MD is not acceptable as the objective of providing public service was not achieved as the equipment worth Rs 85.17 lakh was lying idle

[11] **Civil Hospital, Abohar, Ajnala, Amritsar, Badal, Balachaur, Barnala, Batala, Dasuya, Fazilka, Jagraon, Kharar, Kotkapura, Ludhiana, Malerkotla, Mansa, Moga, Mukerian, Pathankot, Phillaur, Rajpura, Rampura Phul, Samrala, SAS Nagar and Taran Tarn.**

[12] **Civil Hospital, Abohar, Ajnala, Amritsar, Badal, Balachaur, Barnala, Batala, Dasuya, Faridkot, Fazilka, Jagraon, Khanna, Kharar, Kotkapura, Ludhiana, Malerkotla, Malout, Mansa, Moga, Mukerian, Nabha, Nakodar, Pathankot, Phagwara, Phillaur, Rajpura, Rampura Phul, Samrala, SAS Nagar, Tarn Taran.**

since its receipt over six years ago as the MD failed to plan for the required staff (July 2008).

The matter was referred to Government (February 2008); reply has not been received (July 2008).

RURAL DEVELOPMENT AND PANCHAYATS DEPARTMENT

4.4.10 Undue financial aid to Bar Associations

Undue financial aid amounting to Rs 85 lakh to the Bar Associations

As per the scheme of strengthening of infrastructure and institutional works under special programme for Rural Development, main emphasis would be on the consolidated development of the villages in Punjab, improvement of village sanitation, construction of drains, disposal of sullage water, shelter to the poor and wage/self-employment etc. As per guidelines issued (November 1997) by the Government, the funds under the scheme could be released to bodies in or outside Punjab for purposes such as water supply, agricultural development, rural sanitation etc. relating to rural population.

Scrutiny of records of the Deputy Commissioner, Patiala (DC) revealed (September 2006) that the Director, Rural Development and Panchayats Department, Punjab, Chandigarh (Director) sanctioned a sum of Rs 85 lakh to two Bar Associations (I) Rs 75 lakh to the District Bar Association, Patiala for construction of lawyers chambers at Patiala and (II) Rs 10 lakh to District Bar Association, Nabha for construction of lawyers chambers at Nabha. The Deputy Commissioner, Patiala (DC) drew the funds and released[13] the same (between November 2004 and March 2006) to the Bar Associations. As the construction of lawyers' chambers in cities was not covered under rural development as defined in the scheme/notification, the release of grant of Rs 85 lakh was irregular. The release of funds for a work not covered under the provisions of scheme resulted in undue financial aid of Rs 85 lakh to these Bar Associations at the cost of rural infrastructure development.

On being pointed out (January 2008), the Director stated (February 2008) that these grants had been released by the Chief Minister in terms of the guidelines. The reply of the Director is not acceptable as the grants had been released to the Bar Associations which are private bodies of professionals and had no relevance with rural development in the State.

The matter was referred to Government (January 2008); reply has not been received (July 2008).

[13] **Cheque No. 835571 dated 3.11.2004 for Rs 25.00 lakh, 926063 dated 31.3.2005 for Rs 25.00 lakh, 878333 dated 31.3.2006 for Rs 25 lakh and No. 878312 dated 6.3.2006 for Rs 10.00 lakh.**

HEALTH AND FAMILY WELFARE DEPARTMENT

4.4.11 Denial of financial support to State exchequer

Inordinate delay in the project execution not only deprived the State exchequer of revenue of Rs 83 lakh but the drug industry was also denied the facility of drug testing laboratory

With a view to ensure quality control of Ayurveda, Siddha, Unani and Homoeopathy drugs, the Government of India (GOI) sanctioned (May 2005) Rs one crore being cost of project, under the Centrally Sponsored Scheme (CSS) -'Strengthening of Drug Testing Laboratory at Patiala' (laboratory). As per the project report submitted (June 2005) by the Director Ayurveda Punjab, Chandigarh (Director) to the Secretary Health and Family Welfare, the project offered multiple benefits of laboratory to ensure supply of standard qualitative ayurvedic medicines to the public, boosting ayurvedic medicine export and promoting cultivation of medicinal plants by farmers which would ultimately boost the State's economy and also help diversification of crops. The project, scheduled to be completed within 18 months, was to start functioning by November 2006. As per project report, the department was to generate gross revenue of Rs 50 lakh per annum in the shape of sample analysis fee to be received from the drugs manufacturing units of the State.

Scrutiny (October 2007) of records of Director supplemented by information subsequently collected (January 2008) revealed that the State Government failed to release GOI funds to the Director during the year 2005-06. Consequently, the sanction lapsed. Further, after revalidation (August 2006) of funds by GOI, although the State Government released (February 2007) the funds but the Director failed to draw the amount from treasury during 2006-07 as the funds were released towards fag end of the year.

It was further noticed that GOI directed (December 2006) the State Government to open bank account of 'AYUSH Program Funds' to enable the Department of AYUSH to transfer grants released under CSS to the State Health Societies directly w. e. f. April 2007 and decided that the funds released in the past under CSSs required no revalidation from GOI. Thereafter, the funds were released by the State Government in January 2008 and the Director had drawn (March 2008) Rs 90 lakh and deposited the same in the AYUSH account. No expenditure had been incurred as of July 2008.

Thus, inordinate delay in project execution, despite the availability of funds received from GOI in May 2005, had not only deprived the State exchequer of revenue of Rs 83 lakh but the drug industry of State was also denied the facility of drug testing laboratory. Also, the decision of GOI to keep the funds outside the Government account requiring no revalidation would lead to non-monitoring of timely utilisation of grants for intended purposes by the GOI as also indemnify the State Government for its failure to implement the project in time.

On this being pointed out in audit, the Director intimated (August 2008) that the process of construction of building and purchase of machinery etc. was under process.

The matter was referred to Government (February 2008); reply has not been received (July 2008).

EDUCATION DEPARTMENT

4.4.12 Unfruitful expenditure

Retention of seven lecturers for five academic years in the absence of any student of commerce discipline and any appropriate justification rendered expenditure of Rs 77 lakh on the pay and allowances of these lecturers unfruitful

As per the orders of Director Public Instructions (S) the District Education Officer (S) (DEO), Amritsar abolished (May 2003), commerce discipline in eight[14] Senior Secondary Schools of the district.

Test check of records (April 2008) of DEO, Amritsar disclosed that although the commerce discipline in these schools stood abolished from academic year 2003-04 yet seven lecturers of commerce discipline remained posted in four[15] schools (out of eight schools) and had drawn salary in scale of 6400-10640 for the period 2003-08. It was further noticed that inspite of three vacant posts of commerce discipline available in three other schools of the same district, Department did not consider transfer of the lecturers to these schools. As such the expenditure on their pay and allowances from 2003-04 to 2007-08 amounting to Rs 77 lakh was rendered unfruitful besides services of these lecturers needed else where could not be utilised.

Thus, retention of seven lecturers for five academic years in the absence of any student in commerce discipline and any appropriate justification rendered an expenditure of Rs 77 lakh on the pay and allowances of these lecturers unfruitful.

On being pointed out the DEO (S) stated (April 2008) that matter would be brought to the notice of higher authority.

The matter was referred to the Government (May 2008); reply has not been received (July 2008).

WATER SUPPLY AND SANITATION DEPARTMENT

4.4.13 Creation of liability and unfruitful expenditure

Starting of work without funds created liability of Rs 2.75 crore and suspension of work besides unfruitful expenditure of Rs 50 lakh

As per Para 2.89 of PWD Code, no work shall be commenced unless a properly detailed design and estimate have been sanctioned, allotment of funds made, and orders for its commencement issued by competent authority. Further, no liability may be incurred in connection with any work until an assurance has been received from the authority competent to provide funds that such funds will be allotted before the liability matures.

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14 **Government Sr. Secondary School Bhahru, Damganj, Gago Mahal, Ghariyala (boys), Jethowal, Khadoor Sahib, Naushehra Pannuan and Vachoha.**

15 **Government Sr. Secondary School, Bhahru, Damganj, Gago Mahal and Vachoha.**

Scrutiny of records of Executive Engineer, Water Supply and Sanitation (RWS) Division, Moga (EE) disclosed (February 2008) that to improve environment by disposal of waste water/sewerage from individual houses of the villages by laying underground sewerage system, the Chief Engineer (South), Water Supply and Sanitation Department, Patiala sanctioned (April 2006 to June 2006) seven estimates for the work of providing "Small Bore Hole Sewerage System" in seven villages[16] falling in five blocks of Moga District for Rs 6.56 crore. As per estimates, sewerage from Intercepting Tanks (ITs) was to be collected in Sewerage Treatment Plant (STP) through small bore sewer and pumping station. After tendering (July 2006), the work was awarded (between August 2006 and October 2006) to single contractor at a cost of Rs 6.34 crore with a time limit of six months. The contractor installed 55[17] *per cent* ITs and laid 45[18] *per cent* small bore sewer valuing Rs 3.25 crore upto March 2007. The EE got Rs 50 lakh transferred (July 2007) from the Executive Engineer, (RWS) Division, Mohali, to make an on account payment (August 2007) to the contractor. The EE demanded (between May 2007 and November 2007) funds but Government did not release funds (June 2008).

Due to non-payment, the contractor suspended the work without installing collecting tank and STP, thereby leaving the work incomplete in all the seven villages and also claimed the interest at the rate of 18 *per cent* for the delay in making payment.

Thus, award of work for Rs 6.34 crore without availability of funds resulted in creation of an interest liability of Rs 66 lakh (from April 2007 to July 2008) besides blockade of Rs 50 lakh spent on incomplete assets. The interest liability will keep increasing till the payment is made.

On being pointed out the EE admitted (June 2008) the facts and attributed abandonment of work to non-release of funds by the Department of Rural Development and Panchayats Punjab/PIDB. It also resulted in the seven villages of Moga district having been denied the benefit of an efficient sewerage system.

The matter was referred to Government (May 2008) and comments of the Chief Engineer sought (June 2008); no reply has so far been received (July 2008).

16

	Name of Block	Name of Village
1	Moga-I	Dhurkot Kalan
2	Moga-II	Wada Ghar
3	Bagha Purana	Alam Wala
4	Dharamkot	Kot Sadar Khan, Noorpur Hakima
5	Nihal Singh Wala	Gajjiana, Burj Hamira

17 **1247 ITs against the scope of 2286 ITs.**

18 **29.15 KM of small bore sewer against the scope of 65.37 KMs.**

4.4.14 Non-accrual of benefit of sanitation to villagers

Shifting of implementation of programme between two departments resulted in blockade of Rs 25.54 lakh and non-accrual of benefits

Government of India (GOI) launched a central/rural sanitation programme titled "Total Sanitation Campaign (TSC)" to bring about an improvement in the general quality of life in the rural areas and provide sanitation coverage in rural areas by accelerating access to toilets and promoting hygiene education. Under the programme, GOI sanctioned (August 2003) the project for district Fatehgarh Sahib for Rs 1.34 crore. Central Share: Rs 81.32 lakh, State Share: Rs 35.03 lakh and Beneficiary Share: Rs 17.15 lakh. Under the project, 2485 individual household latrines, 363 school toilets and two production centres/rural sanitary marts were to be constructed.

Scrutiny of records (September 2007) of the Executive Engineer, Water Supply and Sanitation (GW) Division-3, Mohali (EE) revealed that GOI released (June 2004) Rs 24.40 lakh towards first instalment representing 30 *per cent* of total share of Rs 81.32 lakh for the implementation of the scheme. As per guidelines of GOI, to implement the TSC Government of Punjab constituted (December 2004) District Water Supply and Sanitation Mission (SWSM), District Water Supply and Sanitation Committee (SWSC) and Core Group of Fatehgarh Sahib District. The EE spent (between June 2005 and May 2006) Rs 1.03 lakh on conducting the survey for the identification of the area and demand. No further activity could be taken up as the Punjab Government decided in February 2006 to implement this programme through the Rural Development and Panchayats Department and rolled back this decision in September 2007. Resultantly, the work could neither be executed by Rural Development and Panchayats Department nor by the Water Supply and Sanitation Department. This resulted in blockade of Rs 25.54 lakh (including interest thereon of Rs 2.17 lakh) for over four years and the benefit of sanitation was deprived to the villages in district Fatehgarh Sahib.

On it being pointed out (September 2007) in audit, the EE admitted (February 2008) the facts and intimated that unutilised funds were meant for Information, Education and Communication activities, which were yet to start. From the reply it is evident that even the initial work of the progamme has not yet been started.

The matter was referred to Government (November 2007); the reply has not been received (July 2008).

IRRIGATION AND POWER DEPARTMENT

4.4.15 Unfruitful expenditure

Failure of the department to adhere to the financial rules resulted in unfruitful expenditure of Rs 25 lakh

As per Rule 7.130 of Department Financial Rules, no work should be taken up until the local body or party concerned, on whose behalf the deposit work is to be undertaken has advanced the entire estimated cost of work in one lumpsum or in instalments and by such date as may be specifically authorised by the Government.

Scrutiny of records (April 2007) of the Executive Engineer, Patiala Drainage Division, Patiala (EE) and information collected (December 2007) from Sr. District Saving Officer, Patiala disclosed that it was decided to shift the dairies of Patiala town to a low lying flood prone site falling near the meeting point of Chhoti Nadi and Bari Nadi, after overcoming the flood problem. Government of Punjab, Finance Department (Directorate Small Savings) released (February 2005) Rs one crore to Deputy Commissioner (DC), Patiala who further released (February 2005) the same to Municipal Corporation, Patiala (MC). The Commissioner, MC accorded (March 2005) administrative approval of Rs 85 lakh for construction of a bundh (RD 0-3500) on the left side of Chhoti Nadi. The Chief Engineer/Drainage (Irrigation Department) (CE) who was to execute the work, gave technical sanction (May 2005) to the estimate of the work for Rs 83.56 lakh subject to condition that the work may only be taken in hand after the funds are made available for the work. The MC, however, released only Rs 25 lakh (May 2005). The EE, in violation of the rule *ibid* and also the directions of the CE, awarded (October 2005) the work on six work orders to three contractors from RD 0 to1500. The EE also failed to ensure that the site was free from all encumbrances before award of the work. An expenditure of Rs 25 lakh was incurred upto January 2006. Further work could not be executed due to a dispute regarding ownership of land. Thereafter, MC neither released further funds nor refunded the balance amount (Rs 75 lakh) to the DC, Patiala (January 2008).

Thus, failure of the CE/EE to adhere to the financial rules as also ensuring the availability of land free from all encumbrances before awarding the work led to blockage of Rs 25 lakh for over two years rendering it unfruitful besides defeating the purpose of shifting of milk dairies out of Patiala town.

On it being pointed out (April 2007) the EE stated that funds had been demanded from the MC and the work will be completed on receipt of funds. The reply was not acceptable as the work valuing Rs 25 lakh was unfruitful for over two years.

The matter was referred to Government (November 2007); reply has not been received (July 2008).

RURAL DEVELOPMENT AND PANCHAYATS DEPARTMENT

4.4.16 Mis-utilisation of funds

Purchase of computers for Rs 18.73 lakh in violation of provisions of the Act/Government of India's guidelines

The Director Rural Development and Panchayats (Director) proposed (March 2007) to purchase 25 computers with the objective of providing at least one computer to each branch and one each to officers at the Directorate. The Director explored the possibility of sources of funds from other schemes of the Department for the same.

Scrutiny of records (December 2007) of the Director revealed that an amount of Rs 18.73 lakh was spent towards the purchase of computers by diverting the funds from Cattle Fair Fund (CFF) (Rs 10.13 lakh) and Government of India (GOI) grant (Rs 8.60 lakh), in violation of the provisions of Punjab Cattle Fairs (Regulations) Act, 1967 (Act) which were exclusively meant for meeting of expenses necessary for holding, controlling, managing or regulating cattle fair etc. and also against the GOI guidelines relating to the utilisation of central grants meant for supplementing the sources of Panachayati Raj Institutions and Urban Local Bodies.

Failure of the Director to ensure compliance to the provisions of Act as well as GOI guidelines for utilisation of grants resulted in mis-utilisation of funds amounting to Rs 18.73 lakh.

On being pointed out, the Director stated that computers were purchased as per orders of the Government. However, Government stated (April 2008) that it was a fit charge under the Act as per Government orders dated 6.10.2006. The reply was not acceptable because purchase of computers was not included in the list of items declared fit charge by Government orders dated 6.10.2006 and the orders of the authority diverting utilisation of funds were in contravention to provisions of GOI guidelines for utilisation of Central grants.

4.5 Regularity issues and others

HOME AFFAIRS AND JUSTICE DEPARTMENT

4.5.1 Non-recovery of Rs 1.31 crore

Department's failure to handover the tents to MARKFED and PSWC coupled with issuing 354 tents in excess of sanctioned quantity, resulted in non-recovery of Rs 1.31 crore

Rule 15.5 of Punjab Financial Rules requires the Government employee in-charge of the stores to check that an authorised person should carefully examine indents with reference to the order or instructions. Further, payment shall be required in all cases where a department of a government renders services or makes supplies to a non-government body or institution or to a separate fund constituted as such inside or outside the public account.

Scrutiny of records (February 2006) of Superintendent, Central Jail, Bhatinda and information collected (January and February 2008) from Director General of Prisons, Punjab, Chandigarh (DGP) disclosed that the Special Principal Secretary to Chief Minister, Punjab directed (January 2001) that the Punjab State Co-operative Supply and Marketing Federation Limited (MARKFED) and the Punjab State Warehousing Corporation (PSWC) would take over 1000 tents from various jails. However, the Superintendents of eight Jails[19] supplied (January–February 2001) the tents directly to five District Red Cross Societies[20] (Societies) without obtaining an indent from MARKFED & PSWC

19 **Central Jail, Bathinda, Ferozepur, Gurdaspur, Jalandhar, Ludhiana, Patiala Borstal Jail, Ludhiana and District Jail, Faridkot.**

20 **Red Cross Society, Bhatinda, Gurdaspur, Jalandhar, Ludhiana and Patiala.**

for onward supply to the Gujarat State. It was further observed that instead of issuing 1000 tents, the Superintendents of Jails issued 1354 tents costing Rs 1.31 crore. On taking up (January 2001) the case by the Department for recovery of cost of tents, the State Government clarified (December 2005) that the cost of tents was to be borne by the MARKFED and PSWC because as per orders of January 2001 issued by the Chief Minister's Secretariat, these tents were to be donated by these agencies. But the MARKFED and PSWC refused (February 2006/July 2007 & February 2006 and December 2006) to make payment on the plea that the indents for supply of tents were not placed by them with any Jail.

Thus, the Department's failure to handover the tents to MARKFED and PSWC coupled with issuing 354 tents in excess of sanctioned quantity, resulted in non-recovery of Rs 1.31 crore.

On being pointed out in audit, the DGP stated (June 2008) that Government had been requested to make payment of Rs 1.31 crore from discretionary fund of the Chief Minister. Further developments were awaited (July2008).

The matter was referred to Government (March 2008); reply has not been received (July 2008).

SPORTS AND YOUTH SERVICES DEPARTMENT

4.5.2 Irregular retention of funds in Bank

The action of the department to keep the funds of Rs 94.17 lakh in bank instead of filling up the posts of coaches and other staff not only affected the promotion of sports but also the ways and means position of the State exchequer

As per Rule 2.10 (a) and (b) (5) of Punjab Financial Rules, Head of the Department is responsible for enforcing financial orders of strict economy through observance of all Financial Rules & Regulations. These Rules prohibit drawal of money from treasury unless it is required for immediate disbursement. Further Punjab Treasury Rules prohibit deposit of money drawn from treasury into commercial banks except with the special permission of State Government.

Scrutiny (September 2007) of records of Director Sports, Punjab revealed that Government approved proposal of Punjab State Sports Council (Council) (January 2007) for creation of 120 posts (90 coaches and 30 ministerial staff for five[21] new districts) and revival of 119 vacant posts (79 coaches and 40 ministerial staff) and released (January 2007) Rs 94.17 lakh to meet salary expenses of the incumbents for the period January to March 2007. According to terms and conditions of this sanction, the Council was required to call tenders for the purpose. However, before the Council initiated any action for filling up of posts, the Director withdrew (February 2007) the entire amount from treasury and transferred it to the Council. As the vacancies were not

[21] **Fetehgarh Sahib, Mansa, Moga, Muktsar and Nawan Shahar.**

filled, (February 2007) the Council put the amount (February 2007) in Bank in the shape of FDRs which remained blocked (February 2007 to July 2008).

Thus, inaction of Department to fill up these posts for over a year not only affected the objective of promotion of Sports in the new districts but also resulted in blocking of funds of Rs 94.17 lakh at a time when the State exchequer had to resort to overdraft of Rs 388.43 crore on which interest of Rs 58.35 lakh was paid during 2007-08.

On being pointed out (September 2007), Department stated that the posts could not be filled due to assembly election code of conduct. Reply was not acceptable because assembly election code remained in force for a limited period of two months i.e. January and February 2007 but the funds remained blocked for more than one year i.e. from January 2007 to July 2008. Moreover, funds should not have been withdrawn from the treasury until action had been initiated to fill the posts.

The matter was referred to Government (February 2008); reply has not been received (July 2008).

HOME AFFAIRS AND JUSTICE DEPARTMENT

4.5.3 Non-realisation of amount of security and surety bonds

Delay in reporting and inaction facilitated the prisoners to misuse the parole/ furlough, escape re-arrest and non-realisation of surety of Rs 42.20 lakh

The Punjab Good Conduct Prisoners (Temporary release) Act, 1962 and the Rules made there under provide that a prisoner may temporarily be released on parole or furlough on execution of the security and surety bonds of Rs 20 thousand (revised to Rs 50 thousand)[22] with District Magistrate (DM) concerned in each case by the prisoner or his family members. Further, in case a prisoner fails to surrender after the expiry of the period of parole or furlough, the Superintendent of Jail (Superintendent) would immediately inform the Superintendent of Police (SP) of the district concerned and officer-in-charge of Police Station (SHO) under whose jurisdiction the place of residence of the prisoner falls during his temporary release and simultaneously, would request the DM to forfeit the amount of security and surety bonds and credit the same to the receipt head of account of the State Government in accordance with the procedure laid down under Code of Criminal Procedure, 1898 under intimation to Superintendent.

Scrutiny of records (August 2005) of the Superintendent, Central Jail, Amritsar and information collected between January 2006 to August 2008 from four[23] Superintendents revealed that 82[24] prisoners booked under various

22 **In anticipation of Government's approval to the proposal of the department to raise the amount of security bond and surety bond to Rs 50,000/-, security bond and surety bond for Rs 50,000/- is being got executed in each case.**

23 **Superintendent of Central Jails, Bhatinda, Jalandhar, District Jail, Hoshiarpur and Maximum Security Jail, Nabha.**

sections of Indian Penal Code and Narcotics, Drugs Prevention and Safety (NDPS) Act released on parole/furlough, between May 2001 and May 2008, did not surrender even after expiry of their parole/furlough. Of these, the Superintendents reported 10 cases of non-surrender to the SPs, SHOs and DMs after expiry of the period of their parole/ furlough with a delay ranging between 27 days and 795 days. It was seen in audit that out of 82 prisoners, 51 prisoners released between May 2001 and May 2008 did not return while other 31 prisoners reported back after overstaying their parole/furlough for the period ranging between 13 days and 1051 days. Of these, eight prisoners overstayed the period of furlough by more that one year. Though the SPs and SHOs stated (August 2008) that progress of such cases was being reviewed in the monthly meetings but no records relating to such meetings was shown to audit, in absence of which efforts made by the police to re-arrest the absconding prisoners could not be ascertained in audit. Further, though the Superintendents intimated the non-surrender of the prisoners to the DMs, but the latter did not forfeit security and surety bonds in these cases even after lapse of a periods ranging between two and 84 months.

Thus, late reporting of non-surrender of prisoners by the Superintendents coupled with inaction on the part of SPs, SHOs and DMs and lack of coordination amongst them not only facilitated the offenders booked for serious crimes under NDPS Act, murder, rioting, armed with deadly weapons etc., to misuse the facility of furlough/parole but also resulted in non-realisation of Rs 42.20 lakh.

On being pointed out in audit, the Superintendents of Central Jails, Amritsar and Bhatinda intimated (August 2008) that as per provisions of the rules, the security and surety bonds were to be forfeited by the DMs concerned. No reply was received from the DMs, except DM, Amritsar who stated (June 2006) that a reply would be sent after tracing out the concerned records.

The matter was referred to Government (March 2008); the reply has not been received (July 2008).

4.6 General

4.6.1 Follow-up on Audit Reports/Outstanding Action Taken Notes

The Comptroller and Auditor General of India's Audit Reports represent the culmination of the process of scrutiny starting with initial inspection of 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. At the instance of the Public Accounts Committee (PAC), Finance Department issued (August 1992), instructions to all the Departments to initiate *suo moto* positive and concrete action on all paragraphs and reviews figuring in the Audit Reports irrespective of whether the cases were taken up for examination by PAC or not. The Departments were also required to furnish to PAC detailed Action Taken Notes (ATNs), duly vetted by Audit, indicating the remedial action taken or proposed to be

24 **Central Jails Amritsar-30; Bhatinda -34; Jalandhar-8; District Jail, Hoshiarpur-5 and Maximum Security Jail, Nabha-5.**

taken by them within a period of three months of the presentation of the Reports to the State Legislature. But as per existing practice, ATNs are not sent to Principal Accountant General's office for vetting before submission to PAC.

Audit Reports

Out of 140 paragraphs and reviews included in the Audit Reports relating to the period 2001-2002 to 2005-06, which, had already been laid before the State Legislature, ATNs in respect of 68 paragraphs and 18 reviews, as detailed below, had not been received in the Audit Office as of March 2008, even after the lapse of prescribed period of three months:-

Year of Audit Report	Total Paragraphs/ Reviews in Audit Report	No. of Paragraphs/Reviews for which ATNs not received
2001-2002	31	10
2002-2003	29	20
2003-2004	31	21
2004-2005	21	15
2005-2006	28	20
. **TOTAL**	**140**	**86**

Department-wise analysis is given in the ***Appendix 4.2 & 4.3***. Departments largely responsible for non-submission of ATNs were Public Works, General Administration, Education, Health and Family Welfare and Rural Development and Panchayats. Government did not respond even to reviews containing important issues such as system failures, mismanagement and misappropriation of Government money. Non-receipt of ATNs hampered the work of PAC.

CHAPTER-V

INTERNAL CONTROL SYSTEM

CHAPTER-V

INTERNAL CONTROL SYSTEM

5.1 Internal Control in Soil and Water Conservation Department

SOIL AND WATER CONSERVATION DEPARTMENT

Highlights

Internal Control is an integral component of an organisation's management processes to provide reasonsable assurance that:

(1) the operations are carried out economically, efficiently and effectively;

(2) financial reports and operational data are reliable and

(3) applicable Laws, Rules and Regulations are complied with to achieve organizational objectives.

A review of internal control system in Soil and Water Conservation Department (earlier a part of Agriculture Department) Punjab (Department) has shown that budgetary, regulatory and operational controls require strengthening. Some of the important findings are as under:-

➢ ***Departmental receipts were utilised towards expenditure of Rs 31 lakh.***

(Paragraph 5.1.8)

➢ ***Contractor's profit and overhead charges were not deducted uniformly.***

(Paragraph 5.1.15)

➢ ***Physical verification of stock was not done since 2003-04 by three Drawing and Disbursing Officers.***

(Paragraph 5.1.18)

➢ ***Machinery was under utilised to the extent of Rs 1.24 crore.***

(Paragraph 5.1.19)

➢ ***Recovery of Rs 14 lakh was pending on account of hiring charges of machinery.***

(Paragraph 5.1.20)

➢ ***Internal audit of Department was not conducted. DDO powers were not delegated to the Accounts Personnel.***

(Paragraph 5.1.23)

➢ ***No vigilance cell was in existence.***

(Paragraph 5.1.26)

Introduction

5.1.1 Internal Control System is a process meant to ensure that the departmental operations are carried out according to the applicable laws, regulations and approved procedure in an economical, efficient and effective manner. The present review on Soil and Water Conservation Department comprehensively covers the controls mechanism in operation.

Soil and Water being most important and essential for life as well as for agriculture production, the Department which takes care of these natural resources in the State has an important role in conservation of these resources. The Department carries out the following functions:

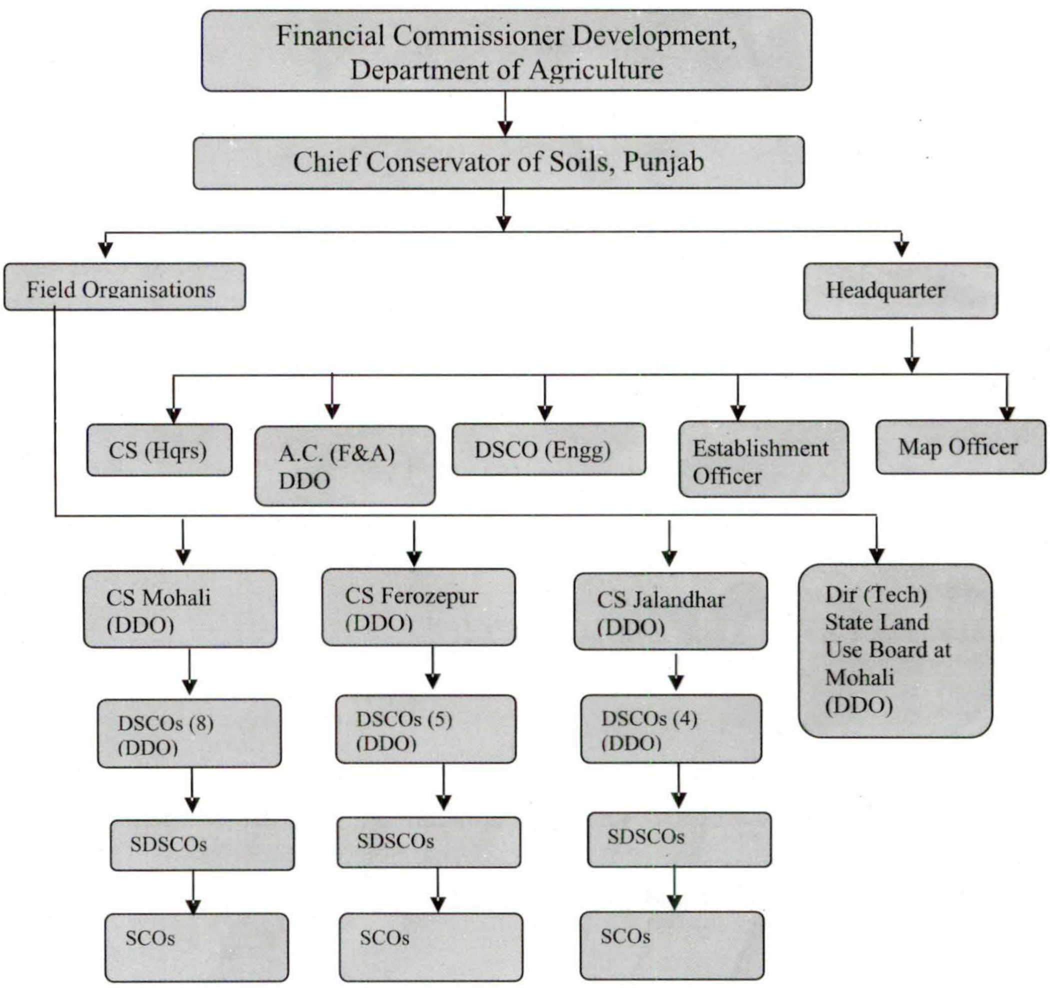
i) surveys and prepares soil inventory in the State and data bank on the soils to be utilised for formulating strategy and schemes for conservation and up-gradation of soils and water resources;

ii) executes schemes/projects for conservation of soil and water resources in the State and

iii) maintains the latest data of soil and water resources and keeps liaison with other Departments/organizations connected with the land use through the nucleus cell of the State Land Use Board.

Organisational set up

5.1.2



The Financial Commissioner (Development) and Principal Secretary to Government, Department of Agriculture, is the administrative head and Chief Conservator of Soil (CCS) is the Head of the Department. He is assisted by four[1] Conservators of Soil (CS), one at Headquarter and three in the circles, 18 Divisional Soil Conservation Officers (DSCOs), one at Headquarter and 17 in the field and a Director (Technical) State Land Use Board at Mohali, Sub-Divisional Soil Conservation Officers (SDSCO)-29, Soil Conservation Officers (SCO)-119.

Twenty two officers exercise DDO powers (one Assistant Controller (Finance and Accounts) at Headquarters office, three Conservators of Soil, one Director State Land Use Board (SLUB) and 17-DSCOs).

Sanctioned strength of the staff in 2003, 2008 was 2202 and 2198 respectively, against which 1750 and 1393 were existing during these years (Technical 1137 and Non-Technical 613 - Technical 724 and Non-Technical 669) as mentioned in ***Appendix 5.1 and 5.2***.

Audit objectives

5.1.3 Audit objectives were to assess the adequacy and effectiveness of the following controls:

- Financial control;
- Procedural control by way of implementation of rules and regulations;
- Stores and stock inventory control;
- Manpower and operational control;
- Monitoring and evaluation of data base;
- Effectiveness of internal audit system and
- Achievement of targets.

Audit Coverage and methodology

5.1.4 The review on Internal Control System in Department covered the period from 2003-08 and was conducted between October 2007 to March 2008 by test check of records of the office of the Chief Conservator of Soil, two out of three circles, seven out of 17 divisions and Director, State Land Use Board. Further two[2] out of six[3] schemes presently in operation were checked in detail besides test check of the remaining schemes.

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[1] **CS (HQ), Ferozepur, Jalandhar and Mohali.**

[2]. **Centrally Sponsored Scheme for Micro Irrigation on Horticulture and Reclamation of Ravenous and Gullied Land.**

[3]. **Soil and Water Conservation on watershed basis in Kandi Non-Project Area, Provision for Machinery Division at Headquarter, Centrally Sponsored Micro Management, Centrally Sponsored Scheme for Micro Irrigation on Horticulture, External aided project for Rain Water Harvesting/Ground Water Recharging and Reclamation of Ravenous and Gullied Land.**

Audit objectives, methodology and time schedule for conducting the review was explained to the departmental officers at an entry conference in November 2007 and the audit findings as well as recommendations of audit were discussed at an exit meeting held in June 2008.

Financial Management and Budgetary Control
Financial Control

5.1.5 Financial rules are prescribed for enforcing financial discipline. Failure of any organization to ensure adherence to the financial rules exposes it to the financial irregularities and the risk of non-availability of funds for discharging its mandated responsibilities. Financial control in an entity is a must for its smooth functioning.

The budget allocations, funds released and expenditure incurred there against during the financial year 2003-08 were as under:

Table I: Summary of Budget Provisions, Funds released and expenditure etc.

(Rupees in crore)

Non-plan			Plan				
						Savings	Percentage
Year	Budget provisions	Expenditure	Budget provisions	Funds released	Expenditure	Against funds released	With reference to Funds released
2003-04	27.73	27.58	8.98	6.45	1.28	5.17	80.16
2004-05	29.69	29.53	8.47	0.50	0.50	--	--
2005-06	32.92	31.72	17.59	13.09	13.01	0.08	0.61
2006-07	33.52	33.22	20.50	22.13	18.42	3.72	16.80
2007-08	34.69	34.53	26.39	18.39	16.22	2.17	11.80
TOTAL	**158.55**	**156.58**	**81.93**	**60.56**	**49.43**	**11.14**	

Under utilisation of funds

Financial control was inadequate as funds remained unutilized Rs 11.14 crore

5.1.6 Plan funds released by State/Central Government were under utilized to the extent of Rs 11.14 crore ranging from one to 80 *per cent* which indicates deficiency in planning and control of expenditure.

When pointed out, the Department stated that the process of sanctioning plan schemes takes some time which further delays the release of funds. Reply is not acceptable as the Department could initiate the process of sanctioning plan schemes in the beginning of financial year to avoid under utilisation of funds.

Excess Expenditure

5.1.7 According to Rule 17.15 of Punjab Financial Rules (PFR), no government employee may incur expenditure in excess of the funds provided without prior approval (re-appropriation of funds) from the competent authority.

Expenditure was incurred in excess of the budget provisions Rs 17 lakh

Test check of records (October 2007) disclosed that an expenditure of Rs 2. 63 crore was incurred against the provision of funds of Rs 2.46 crore under State Plan Schemes by the 17 DSCOs during the financial year 2006-07 resulting in excess expenditure of Rs 17 lakh which has not been got regularised (June 2008) from the competent authority. This shows poor financial management of the Department.

When pointed out (October 2007), the Department stated (July 2008) that proposal for regularisation will be sent to the Finance Department.

Irregular utilisation of Departmental receipts and late deposit in treasury

Departmental receipts were utilized towards expenditure in contravention of Financial Rules Rs 31 lakh

5.1.8 In accordance with Rule 2.4 of P.F.R., departmental receipts are required to be deposited into the treasury on the same day or by the next morning. Utilization of departmental receipts towards expenditure is strictly prohibited.

Test check of records (October 2007) disclosed that departmental receipts of Rs 1.59 crore on account of machinery hire charges were collected by the DSCO (Machinery), Mohali. Out of this an amount of Rs 31 lakh was utilised towards expenditure on POL and repair of Machinery during 2003-04 and 2004-05 in contravention of the rules. Further, instances of late deposit of departmental receipts of Rs 1.35 crore during 2003-08 ranging from twenty days to four months were noticed. Irregular utilisation of departmental receipts and late deposit in treasury shows lack of accountability/non-compliance of rules by the DSCO concerned.

The Department admitted (October 2007) the utilisation of receipts towards expenditure due to non-availability of funds and assured to avoid it in future. Reply was not acceptable as the receipts utilised during 2003-04 and 2004-05 have not been credited in Government account (July 2008).

Compliance with State Treasury Rules/Receipt and Payment Rules

Cash book maintenance

'otals of cash book ,ere not got checked rom a responsible fficials other than riter of the cash book

5.1.9 Test check of Cash Books of eight offices out of 22 for the period from 2003-08 disclosed the following deficiencies:

- Four DSCOs[4] and Director SLUB neither checked the totals of Cash Book themselves nor got those checked from a responsible official other than writer of cash book as required under Rule 2.2(iii) of the Punjab Financial Rules and also did not record the certificate of cash balance at the close of each month as required by Rule 2.2 (iv) ibid.
- Reconciliation of deposits was not carried out by four DSCOs[5] with the Treasury for a deposit of Rs 26 lakh during the year 2003-08 as required by Rule 2.2(V).
- Reconciliation of withdrawals amounting to Rs 4.69 crore was not carried out with the Treasury for the year 2003-04 onwards as required under rule 2.31(a) by DSCO, Nawanshahr.
- Seven DSCOs[6] did not obtain cash security/surety bonds from officials dealing with cash and stores as required by Rule 130 of Punjab Treasury Rules.

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[4] **Hoshiarpur, Mohali, Machinery (Mohali) and Muktsar.**

[5] **DSCO, Amritsar, Gurdaspur, (Machinery) Mohali and Mukatsar.**

[6] **DSCO, Amritsar, Gurdaspur, Hoshiarpur, (Machinery) Mohali, Mohali, Mukatsar and Nawanshahar.**

Improper maintenance of Cash book, non-verification of cash balances and non-reconciliation of deposits/withdrawals into/from treasury shows weak internal financial control which can expose the organization to the risk of misappropriation/fraud.

When pointed out (October 2007 to December 2007) the Divisional Officers assured to take steps for compliance.

Liability Register

Register of liabilities was not maintained

5.1.10 Para 12.11 of Punjab Budget Manual requires that every DDO should maintain a register of liabilities in the prescribed format.

Scrutiny of records revealed that no such register was maintained by the nine DSCOs and A.C. (F&A) at CCS office[7]. In the absence of relevant registers liabilities can neither be identified nor cleared.

When pointed out (October 2007 to March 2008) the concerned offices stated that register was not maintained as no liability was pending. Reply is not acceptable as the maintenance of liability register was mandatory and liability was created (Rs 31 lakh) by the Machinery Division, Mohali due to non-payment of pending bills of POL/repairs before the close of the financial year.

Deficiencies in maintenance of Bill Register

5.1.11 According to Rule 7.12 of PFR, Bill Register was required to be maintained in the prescribed format. Whereas two DSCOs, Training and Mohali had not maintained bill register as per the rules which shows non-compliance of rules.

Non-maintenance of Material-at-site Register

5.1.12 Rule 6.10 of Departmental Financial Rules read with Articles 126 and 127 of account code Vol-III provides that register of Material-at-site account is to be maintained by Agriculture Sub-Inspectors/Surveyors in each division showing the material issued from stock or purchased from the market/transferred from other works and issued to works/contractors but it was noticed that Material-at-site register was not maintained in the seven divisions out of 17 divisions test checked. In the absence of Material-at-site register proper accountal of material-at-site could not be ensured and supervisory control was not verifiable by the higher authority.

Internal Control Activities

Non-preparation of Departmental Manual

Departmental manual was not prepared even after 38 years of Department's existence

5.1.13 Departmental Manuals contain rules, regulations, procedures and instructions relating to particular Department and periodicity of reports/returns to be submitted to the appropriate authorities etc. apart from guidelines for the

[7] **DSCO, Amritsar, Gurdaspur, Jallandhar,Mohali, (Machinery) Mohali, Soil Survey Mohali, Training Institute, Mohali, Mukatsar, Nawanshahar and CCS, Punjab, Chandigarh.**

execution of schemes in the Department. It is essential for exercising proper internal control over activities of an organisation.

Although the Department was established and started independent functioning in 1969, no Manual had been prepared even after 38 years of its existence, in absence of which it was difficult to evaluate proper observance of instructions, prescribed rules and regulations and procedures by the Department and timely submission of prescribed reports/returns. Non-preparation of departmental manuals indicates lack of accountability at various levels.

When pointed out (October 2007), the Department stated that field staff has been doing their duties as per defined rules. However, due to introduction of some new programmes by Government of India there is some deviation of field duties for which rules were being prepared. Reply of the Department is not acceptable as the Department cannot escape from the preparation of Departmental Manual in conformity with the Soil Conservation Schemes, guidelines of Government of India under different Centrally Sponsored Schemes and various provisions of Financial Rules.

Irregular inclusion of contingency charges in the estimates

Provision of contingency was made in the estimates in contravention of FD instructions Rs 16 lakh

5.1.14 According to instructions issued by Finance Department (January 2000), three *per cent* contingency expenses were not to be included in the estimates of works, both minor and major works covered under plan and non-plan schemes.

Scrutiny of records of five divisions[8] revealed that provision of contingency of Rs 16 lakh was made by the concerned DSCOs in 40 estimates amounting Rs Six crore between 2005-08 contrary to the Government instructions resulting into inflated estimates. In eight cases the provision made for contingency had been utilized towards expenditure on works. Thus, irregular inclusion of contingency and utilization of the same towards expenditure on works shows non-compliance to the instructions.

When pointed out (January 2007 to March 2008), the Department stated (July 2008) that instructions have been issued to all concerned not to include contingency charges in estimates in future.

Short deduction of over-head charges from labour bills

Overhead charges were short deducted from labour bills Rs two lakh

5.1.15 As per instructions issued by the Punjab Government (August 2001) recovery from labour charges at the rate of 21.5 *per cent* was required to be made on account of contractor's profit (10 *per cent*) and overhead charges (11.5 *per cent*).

Scrutiny of records revealed that recovery was made at the rate of either 10 or 11.5 *per cent* instead of 21.5 *per cent* in eight cases by two DSCOs (Hoshiarpur and Nawanshahar) resulting into excess payment of Rs two lakh during 2005 to 2007 on labour bills which indicates non-compliance to instructions and lack of internal control as well.

[8] **DSCO, Amritsar, Gurdaspur, Jalandhar, Mohali and Nawanshahar.**

When pointed out (December 2007 to January 2008), the Department, while admitting the facts, stated that recovery will be affected.

Non-disposal of unserviceable articles

Unserviceable articles were not disposed of Rs 22 lakh

5.1.16 Rule 15.3 of PFR, lays down the procedure for disposal of unserviceable stores through public auction. It also requires that head of Department should forward to the Controller of Stores Punjab twice each year by the prescribed date a consolidated statement of unserviceable or surplus stores. Test check of records revealed that unserviceable articles including vehicles, machinery parts and furniture etc. valuing Rs 22 lakh were lying in store of the DSCO (Machinery), Mohali and State Land Use Board, Mohali since February 2001 but no statement of unserviceable or surplus stores was sent to Controller of stores and no action was initiated so far to dispose of the same which indicates poor inventory control.

When pointed out (October 2007), the Department stated (July 2008) that instructions have been given to the DSCO (Machinery)/State Land Use Board to sort out the unserviceable parts. As regards machinery/vehicles matter has been taken up with the District Administration for the condemnation of vehicles.

Blockade of funds

There was blockade of funds due to purchases in excess of requirement Rs three lakh

5.1.17 According to Rule 15.2 (b) of PFR, purchases should be made in a most economical manner with definite requirement. Material should not be purchased in excess of immediate requirement leading to blockade of Government funds.

Scrutiny of the records revealed that machinery parts worth Rs three lakh were purchased in excess of requirement by DSCO (Machinery), Mohali during 1988 to 1991. The matter was also not reported to Controller of Stores, Punjab and parts were lying unutilised in the store for more than 16 years. This resulted not only in blockade of funds but there is also a possibility of a part of these stores becoming obsolete or unfit for use.

When pointed out (October 2007), the Department stated (July 2008) that most of the parts have been used and remaining will be used in near future. Reply is not acceptable as the material purchased was lying unutilized for more than 16 years and only instructions were issued (April 2008) for utilising the material on priority.

Absence of Physical verification

Annual physical verification of store and stock was not being done

5.1.18 Rule 15.16 of PFR, lays down that verification of store and stock items is required to be conducted at least once in a year to ascertain losses, shortages and deterioration of stores and stock items.

Scrutiny of the records revealed that physical verification was not got conducted by two DSCOs and Director SLUB [9] since 2003-04. Inaction of the officers concerned indicates lack of supervision.

[9] **State Land Use Board, Mohali, DSCO, (Machinery) Mohali and Nawanshahar.**

When pointed out (October 2007 to January 2008) the Department stated that most of the staff remained on election duty. Reply is not acceptable as the duty for election is for few days only whereas physical verification was in arrear for over 3 years since 2003-04.

Under-utilisation of machinery

Under utilization of machinery resulted in loss of Rs 1.24 crore

5.1.19 Machinery Division, Mohali was having fleet of Bulldozers (5), tractors (3–5) and J.C.B Machine (1) etc. for which annual estimates of use were prepared. As per annual estimates each bulldozer was required to work for 1200 hours, Tractor and JCB Machine for 500 hours during a year. The norms of running bulldozers were revised to 1000 hours from 2006-07 onwards. The revenue estimated from the running of machinery was Rs 2.70 crore during 2003-08.

Scrutiny of records revealed that against the working of 40000 hours as per norms *ibid* the machinery worked for 24980 hours during 2003-08 resulting in its under utilisation to the extent of 38 *per cent*, thus resulting into short realization of revenue of Rs 1.24 crore as hire charges of machinery and services of the staff-members were not utilised as per estimates.

When pointed out (October 2007), the Department stated (July 2008) that the machinery could not be fully utilized due to non-provision of adequate funds by the Government to operate the same. Further the estimates of working hours were fixed as per Central Water Commission norms for new machinery. Now the machinery is old as such the hours in the estimate will be fixed according to the condition and capacity of the machinery. Reply is not acceptable as the hours in the estimates were fixed by the Department itself. The prevalent situation indicates lack of supervision.

Non-recovery of hire charges

iring charges for overnment machinery ere not recovered s 14 lakh

5.1.20 Soil Conservation Division (Machinery), Mohali was entrusted with the work of providing machinery to all the divisions of the State as and when demanded by them for execution of soil and water conservation works for beneficiaries viz. farmers etc. Hire charges are levied as per prescribed rates for the use of Government machinery.

Test check of records revealed that hire charges of machinery Rs 14 lakh were recoverable from the six divisions[10] to which the machinery was provided during the period 2003-08. This shows lack of follow up.

When pointed out (October 2007), the Department stated (July 2008) that instructions have been issued to the concerned for recovery.

Non-performance of allotted duties

llotted duties were not rformed by riculture sub-spectors/surveyors

5.1.21 Punjab Government (in Agriculture Department) prescribed (February 1964) the rules and procedures covering duties of staff in the Department. According to these instructions Agriculture Sub-Inspectors/Surveyors were

[10] **Amritsar = Rs 0.65 lakh, Faridkot = Rs 0.62 lakh, Hoshiarpur = Rs 1.20 lakh, Mohali =Rs 9.57 lakh, Mukatsar = Rs 1.02 lakh, Nawanshar = Rs 0.76 lakh**

required to conduct the survey of the schemes, supervise the work as site incharge, maintain Material-at-site Register, record measurements by giving complete details of work, location etc. and prepare first and final bills.

Scrutiny of records relating to six DSCOs[11] revealed that duties assigned to the Agriculture Sub-Inspectors/Surveyors were not performed by them rather the Measurement Books were being written by SCOs and Material-at-site Register was not maintained at all.

On enquiring (March 2008) the reasons of non-performance of allotted duties in violation of the Government instructions, the Department stated (June 2008) that a committee of three officers has been formed to fix the duties and responsibilities of the technical staff. The modalities for fixing the responsibilities, will be decided as per the notification of the Government and thereafter the Department would implement the same. Reply is not acceptable as no orders for reallocation of duties superceding the orders of Government (February 1964) were shown. Moreover, the duties assigned to the Agriculture Sub-Inspectors/Surveyors cannot be transferred to Soil Conservation Officers who are responsible for controlling and supervising the works.

Non-transfer of GIS amount to Insurance Fund

Appropriate amount was not transferred to insurance fund from saving fund

5.1.22 Under the provisions of Para 9 of G.I.S. scheme 1982, all officers were required to prepare a contingent bill in April every year for the withdrawal of an appropriate amount from the saving fund for credit to Insurance Fund in respect of the employees who have been members of the scheme.

Scrutiny of the records revealed that the appropriate amount, 30 *per cent* of the G.I.S. subscription was not transferred to Insurance Fund by three[12] DSCOs since 2004 which indicates non-observance to the provisions of the scheme.

On being pointed out (October 2007 to March 2008), the concerned DSCOs stated that necessary Book Transfer bill would be prepared.

Internal Audit

5.1.23 The State Government established (1982) Internal Audit Organization (IAO) under the control of Finance Department (FD) which was responsible for conducting Internal Audit. It was observed that system of Internal Audit was neither in operation at Head of Department level nor any Internal Audit was conducted of the divisions falling under the jurisdiction of Circle Offices Jalandhar and Mohali during the period 2003-07 in spite of the availability of four Assistant Controllers and four Section Officers posted by the FD. Further no DDO powers were delegated to the accounts personnel posted by the FD for effective and efficient account management.

When pointed out (November 2007 and March 2008), the Department stated that DDO powers to the Accounts Personnel were not delegated as they are to perform field duty and monitor funds. Moreover, the matter for providing more staff was being taken with the FD for delegating DDO powers. The reply was

[11] **DSCO, Amritsar, Gurdaspur, Hoshairpur, Jalandhar, Mohali and Muktsar.**

[12] **DSCO, Hoshiarpur, (Machinery) Mohali, Mohali.**

not acceptable as there was no shortage of Assistant Controllers/Section Officers and the Department had violated the instructions of the Government.

Monitoring

Shortfall in achievement of physical targets

5.1.24 The objective of centrally sponsored scheme Macro Management Work Plan was to enhance the production of agriculture through integrated watershed development, re-claim the ravenous and gullied land and sub-surface drainage. The scheme was initiated during the year 2000-01 with 90:10 sharing basis between GOI and State. Accordingly, funds amounting to Rs 31.25 crore (Rs 28.12 crore GOI share and Rs 3.13 crore of State share) was released during the year 2003-08. Against this, expenditure of Rs 23.25 crore (Rs 20.92 crore GOI share and Rs 2.33 crore of State share was incurred). Targets fixed under this scheme was as follows:

Table II Showing targets fixed/achieved and shortfall

(In Hectares)

Sr. No.	Name of the Sub-Scheme	Targets fixed	Targets achieved	Shortfall	Percentage of shortfall
1.	National Watershed Development Programme for Rainfed Areas (NWDPRA)	36545	30772	5773	16
2.	Treatment of Catchment Area of flood prone river (FPR)	5650	3321	2329	41
3.	Reclamation of Ravenous Areas	445	184	261	59
4.	Agriculture field Drainage	1402	843	559	40
5.	Efficient use of Irrigation	1625	15	1610	99
	Total	**45667**	**35135**		

In spite of availability of funds, there was shortfall in the achievement of physical targets to the extent of 16 to 99 *per cent,* thus depriving the farmers of benefits of the schemes which shows improper implementation and monitoring of the scheme. On being pointed out (July 2008), no reply was furnished.

Micro Irrigation Scheme (Drip and Sprinkler Irrigation)

No survey was conducted to evaluate Drip Irrigation Scheme

5.1.25 The term drip/micro irrigation includes emitting water through network of pipes by drippers etc. As per salient features of the scheme, it saves water from 30 to 40 *per cent* and increases yield. The main objective of the scheme was to save precious water and at the same time enhance the quality and quantity of the farm produce, especially the fruits and vegetables. Under the scheme Micro Irrigation Scheme (Drip and Sprinkler Irrigation) funds are provided both by GOI/State in the ratio of 80:20. 50 *per cent* subsidy is given to the farmers on the cost of Micro Irrigation system. Funds amounting to Rs 12.27 crore (GOI Rs 10.02 crore + Rs 2.25 crore State share) were released during 2006 to 2008 for achieving the target of 6045 hectares. Though the funds were available, an expenditure of Rs 6.53 crore was incurred (GOI Rs 4.16 crore + Rs 2.37 crore State Share) and achievement of target was 2916 hectares only. The details of achievements/shortfall was as under:-

Table III Showing targets fixed/achievements and shortfall

(In Hectares)

Year	Physical targets	Achievements	Shortfall	Percentage of shortfall
2006-07	3045	1425	1620	53
2007-08	3000	1491	1509	50

In spite of availability of funds, shortfall was between 50 to 53 *per cent* resulting in denial of benefits to the farmers. Further, no survey to evaluate the increase in yield and saving of water even after incurring expenditure of Rs 6.53 crore upto March 2008 has been conducted indicating lack of follow up and monitoring.

On being pointed out (October 2007 and July 2008), no reply was furnished.

Vigilance Mechanism

No vigilance cell was formed

5.1.26 As per instructions issued by the Punjab Government (September 2001) formation of vigilance cell was aimed at to strengthen the administrative vigilance set up in each organisation against corruption and irregular practices.

During review it was noticed that no vigilance cell was in existence in the Department. However, flying squad constituted during 1995 under the supervision of Conservator was non-functional due to the retirement of officers/officials from service during the years 1999 to 2006 but their substitutes had not been posted so far. Moreover no provision exists in the Department to check subordinate offices.

When pointed out (November 2007), the Department stated (July 2008) that due to non-recruitment/promotion of the field staff the functioning of the flying squad had come to stand still.

Conclusion

5.1.27 Internal Control Mechanism was weak in the Department as:-

1. Control on expenditure was weak as is evident from savings and excess expenditure against allotments;
2. Departmental receipts were deposited late and utilized towards expenditure in violation of financial rules. Cash Books were not maintained as per rules, there was under utilisation of machinery and non-recovery of its hiring charges;
3. Control on stores and stock was also missing as physical verification of stores and stock items was not conducted;
4. Physical targets were not achieved and evaluation of the schemes not monitored;
5. Vigilance cell has not been formed and flying squad created in 1995 was non-functional and
6. Internal audit/inspection was not conducted.

Recommendations

The department should strengthen its internal control mechanism by:

- adhering to the financial rules by periodical review of expenditure with allocation of funds;
- effective budget control system so as to ensure realistic assessment of funds required and timely utilization thereof;
- proper maintenance of Cash Book and preparation of Liability Register, Bill Register and Material-at-site Register;
- preparation of Departmental Manual;
- improving the utilisation of machinery and quick realisation of hire charges;
- ensuring effective functioning of system of internal control and internal audit/inspection in order to effectively monitor the working of the Department, optimise the output and safeguard against errors, irregularities in operational and financial matters and to achieve greater efficiency and
- forming vigilance cell strictly in accordance with instructions issued by the State Government.

CHANDIGARH
The

(R.P. SINGH)
Pr. Accountant General (Audit), Punjab

Countersigned

NEW DELHI
The

(VINOD RAI)
Comptroller and Auditor General of India

APPENDICES

Appendix-1.1
(Refer paragraph 1.1 page 1)

Statement showing definitions of terms used in Chapter I

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 revenues received by the State Government, all loans raised and repayment of loans form the Consolidated Fund of the State, constituted under Article 266(1) of the Constitution of India. No money out of this fund can be appropriated except in accordance with the law and for the purpose and in the manner provided in the Constitution. This fund 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 established under Article 267(2) of the Constitution of India which is of the nature of an imprest placed and enables the Executive Government to meet unforeseen expenditure pending authorization by the Legislature by law. Approval of the State Legislature is subsequently obtained for such expenditure and for transfer of equivalent amount from the Consolidated Fund to Contingency Fund.

Part III. Public Account

Receipts and disbursements in respect of small savings, provident funds, deposits and advances, 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 a vote by the Legislature.

Part-B. Lay out of Finance Accounts

The Finance Accounts of Punjab contain 19 statements as depicted below.

Statement No.1 presents the summary of transactions of the State Government –receipts and expenditure, revenue and capital, public debt receipts and disbursements etc. in the Consolidated Fund of the State, the Contingency Fund and the Public Account.

Statement No.2 contains the summarised statement of capital outlay showing progressive expenditure upto the end of 2007-08.

Statement No.3 gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss etc.

Statement No.4 indicates the summary of debt position of the State which includes internal debt, borrowings from Government of India, other obligations and service of debt.

Statement No. 5 gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears, etc.

Statement No. 6 gives the summary of guarantees given by the Government for repayment of loans etc. raised by the statutory corporations, local bodies and other institutions.

Statement No. 7 gives the summary of cash balances and investments made out of such balances.

Statement No.8 depicts the summary of balances under the Consolidated Fund, the Contingency Fund and the Public Account as on 31 March 2008.

Statement No.9 shows the revenue and expenditure under different heads for the year 2007-08 as a *percentage* of total revenue/expenditure.

Statement No.10 indicates the distribution between the Charged and the Voted expenditures incurred during the year.

Statement No.11 indicates the detailed account of revenue receipts and capital receipts by minor heads.

Statement No.12 provides accounts of revenue and capital expenditure by minor heads under Non-Plan, State Plan and Centrally Sponsored Schemes separately.

Statement No.13 depicts the detailed capital expenditure incurred during and to the end of 2007-08.

Statement No.14 shows the details of investment of the State Government in statutory corporations, government companies, other joint stock companies, co-operative banks and societies etc. up to the end of 2007-08.

Statement No.15 depicts the capital and other expenditure to the end of 2007-08 and the principal sources from which the funds were provided for that expenditure.

Statement No.16 gives the detailed account of receipts, disbursements and balances under heads of account relating to Debt, Contingency Fund and Public Account.

Statement No.17 presents detailed account of debt and other interest bearing obligations of the Government of Punjab.

Statement No.18 provides the detailed account of loans and advances given by the Government of Punjab, the amount of loan repaid during the year, the balance as on 31 March 2008 and the amount of interest received during the year.

Statement No.19 gives the details of earmarked balances of Reserve Funds.

Part C. List of terms used in the Chapter-I and basis for their calculation

Terms	Basis for calculation
Buoyancy of a parameter	Rate of Growth of the parameter GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of the parameter (X) Rate of Growth of the parameter (Y)
Rate of Growth (ROG)	[(Current year Amount/Previous year Amount)-1] * 100
Trend/Average	Trend of growth over a period of five years (LOGEST(Amount of 1999-2000 : Amount of 2004-05)-1) * 100
Share shift./Shift rate of a parameter	Trend of percentage shares, over a period of five years of the parameter in Revenue or Expenditure as the case may be.
Development Expenditure	Social Services + Economic Services
Weighted Interest Rate (Average interest paid by the State)	Interest Payment / [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2] * 100
Interest spread	GSDP growth – Weighted Interest rates
Interest received as *per cent* to Loans Advanced	Interest Received [(Opening balance + Closing balance of Loans and Advances)/2] * 100
Revenue Deficit	Revenue Expenditure - Revenue Receipt
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest Payments

Appendix-1.2
(Refer paragraph 1.2 and 1.6 - page – 3 and 21)

Summarized financial position of the Government of Punjab as on 31 March 2008

(Rupees in crore)

As on 31st March 2007		Liabilities	As on 31st March 2008		As on 31st March 2007		Assets	As on 31st March 2008	
1	2	3	4	5	6	7	8	9	10
37153.66		**Internal Debt (excluding overdrafts from Reserve Bank of India)**		**41025.28**	**17489.42**		**Gross Capital Outlay**		**19680.31**
	9434.58	Market Loans bearing interest	13228.34			3761.74	Investments in shares of Companies, Corporations etc.	3835.65	
	0.27	Market Loans not bearing interest	0.20			13727.68	Other Capital Expenditure	15844.66	
	5.28	Loans from Life Insurance Corporation of India	4..33		**5532.95**		**Loans and Advances**		**4122.64**
	1.35	Loans from Life Insurance Corporation of India	1.07			4135.53	Loans for Energy	2770.19	
	1018.20	Loans from the National Bank for Agriculture and Rural Development	1241.76			1143.62	Other Development Loans	1151.63	
	573.61	Compensation and Other Bonds	509.88			253.80	Loans to government Servants and Miscellaneous Loans	200.82	
	4255.14	Loans from State Bank of India & Other Banks	3767.58		**29.26**		**Suspense and Miscellaneous Balances**		**(-)9.19**
	0.07	Loans from the National Co-operative Development Corporation	0.06		**0.65**		**Advances**		**0.63**
	666.09	Loans from other Institutions	609.82		**825.87**		**Cash**		**1101.28**
	-	Ways & Means Advances from the Reserve Bank of India	-		-		Cash in Treasuries and Local Remittances		-
	21199.07	Special Securities issued to National Small Savings Funds of the Central Government	21662.24			21.50	Deposits with Reserve Bank of India	75.52	
12.96		**Loans and Advances from Central Government -**		**3284.34**		125.78	Departmental Cash Balance including Permanent Advances	200.17	
	0.33	Pre 1984-85 Loans	0.33			0.19	Permanent Cash Imprest	0.21	
	75.35	Non-Plan Loans	44.29			119.51	Investment of Earmarked Funds	0.68	
	3071.32	Loans for State Plan Schemes	3179.07			558.89	Cash balance investments	824.70	
					27396.10		**Deficit on Government Accounts**		**31199.30**

	65.96	Loans for Centrally Sponsored Plan Schemes	60.65			(-)2023.36	Revenue Deficit of the Current year	3823.24	
					0.21		Other adjustments		
	-	Ways and means advances	-			29419.46	Accumulated deficit upto 31 March 2007	27376.06	
25.00		**Contingency Fund**		**25.00**	(-) 20.25		Proforma correction		
7977.45		**Small Savings, Provident Funds, etc.**		**8613.28**					
1272.26		**Deposits**		**1337.70**					
-		**Overdrafts from the Reserve Bank of India**		-					
1537.71		**Reserve Funds**		**1722.04**					
-		**Deposits with the Reserve Bank of India**		-					
75.17		**Remittances Balances**		**87.33**					
51254.21				**56094.97**	**51254.21**				**56094.97**

Appendix-1.3
(Refer to paragraph 1.2 page 3)

Abstract of receipts and disbursements for the year 2007-08

(Rupees in crore)

2006-07	Receipts			2007-08	2006-07	Disbursements				2007-08
							Non Plan	Plan	Total	
1	2	3	4	5	6	7	8	9	10	11
		Section-A: Revenue								
20567.14		**1Revenue receipts**		**19237.62**	**18543.78**	**1 Revenue expenditure-**	21897.32	1163.54	**23060.86**	**23060.86**
	9017.16	(i)-Tax revenue	9899.17		**10338.64**	**General services**	12886.18	5.72	**12891.90**	
	7744.58	(ii)-Non-tax revenue	5253.97		4103.72	**Social Services-**	**4118.58**	**215.00**	**4333.58**	
	1565.75	(iii) State's share of Union Taxes and Duties	1974.99		2318.26	-Education, Sports, Art and Culture	2600.95	73.04	2673.99	
	1487.85	(iv)Non-Plan Grants	1112.74		689.02	-Health and Family Welfare	694.48	61.99	756.47	
	397.36	(v) Grants for State Plan Schemes	617.67		346.32	-Water Supply, Sanitation Housing and Urban Development,	307.12	-	307.12	
	20.78	(vi) Grants for Central Plan Schemes	13.42		18.27	-Information and Broadcasting	12.69	4.94	17.63	
	333.66	(vii) Grants for Centrally Sponsored Schemes	365.66		79.34	-Welfare of Scheduled Castes, Scheduled tribes and Other Backward Classes	51.58	6.55	58.13	
					62.20	-Labour and Labour Welfare	67.53	0.33	67.86	
					580.18	-Social Welfare and Nutrition	370.70	68.15	438.85	
					10.13	-Others	13.53	-	13.53	
					3772.87	**Economic Services-**	**4535.77**	**942.82**	**5478.59**	
					473.72	-Agriculture and Allied Activities	462.65	199.50	662.15	
					66.23	-Rural Development	57.71	7.97	65.68	
					519.43	-Irrigation and Flood Control	567.67	-	567.67	
					1427.47	-Energy	2850.53	-	2850.53	
					138.14	-Industry and Minerals	127.05	1.30	128.35	
					551.60	-Transport	363.65	-	363.65	
					0.91	-Science, Technology and Environment	0.94	13.04	13.98	
					595.37	-General Economic Services	105.03	721.02	826.05	
					328.55	**Grants-in-aid and Contributions**	**356.79**	-	**356.79**	
		II. Revenue deficit carried over to Section B		**3823.24**	**2023.36**	**Revenue Surplus carried over to Section-B**	-	-	-	
67.14		**Total Section A**		**23060.86**	**20567.14**					**23060.86**

2006-07	Receipts			2007-08	2006-07	Disbursements				2007-08
		Section-B					Non Plan	Plan	Total	
1	2	3	4	5	6	7	8	9	10	11
1767.65		**III-Opening Cash balance including Permanent Advances and Cash Balance Investment Account etc.**		**825.87**	**2586.18**	**II-Capital Outlay-**	272.16	1919.14	**2191.60**	**2191.60**
					93.82	**General Services-**	**75.45**	**59.77**	**135.22**	
					370.52	**Social Services-**	41.54	448.54	**490.08**	
					17.71	-Education, Sports, Art and Culture	0.02	53.77	53.79	
					9.64	-Health and Family Welfare	1.56	3.26	4.82	
					337.26	-Water Supply, Sanitation Housing and Urban Development	39.95	388.08	428.03	
					0.04	Information and Broadcasting	-	-	-	
					3.96	-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes,	-	-	-	
					0.72	-Social Welfare and Nutrition	0.01	-	0.01	
					1.19	-Others	-	3.43	3.43	
					2121.84	**Economic Services-**	**155.17**	**1411.13**	**1566.30**	
	-	**Misc. Capital Receipts**		**0.70**	35.06	-Agriculture and Allied Activities	0.97	4.02	4.99	
					131.98	Rural Development	39.81	61.48	101.29	
					358.47	-Irrigation and Flood Control	108.41	302.26	410.67	
					20.00	Energy	-	44.14	44.14	
					0.16	Industry and Minerals	0.08	-	0.08	
					416.16	Transport	5.90	896.53	902.43	
					7.31	Science Technology and Environment	-	(-)2.75	(-)2.75	
					1152.70	General Economic Services	-	105.45	105.45	
395.45		**IV Recoveries of Loans and Advances**		**1445.15**	444.16	**III-Loans and Advances Disbursed**	31.33	3.52	34.85	**34.85**
	306.44	-From Power Projects	**1365.33**		300.00	For Power Projects			-	
	73.74	-From Government Servants	**77.60**		17.05	To Government Servants			24.63	
	15.27	-From others	**2.22**		127.11	To Others			10.22	
	2023.36	**Revenue surplus brought down**	-			**IV-Revenue Deficit Brought down**			-	**3823.24**
4274.99		**Public debt receipts-**		**6050.64**	5170.55	**V-Repayment of Public Debt**				**2107.65**

	4254.20	-Internal debt other than ways and means Advances and Overdraft	**5232.58**		1141.88	Internal debt other than ways and means Advances and Overdraft			1360.97	
		-Net transactions under Ways and Means Advances including overdraft	388.43			-Net transactions under Ways and Means Advances including overdraft		-	388.43	
	20.79	-Loans and Advances from Central Government	429.63		4028.67	Repayment of Loans and Advances to Central Government			358.25	
18356.90		**V Public Account Receipts**		**19687.47**	**17791.59**	**VI-Public Account Disbursement**				**18751.22**
	1511.74	-Small Savings and Provident funds	1874.70		1109.72	-Small Savings and Provident funds			1238.87	
	319.31	-Reserve funds	387.80		78.39	-Reserve funds			203.47	
	2085.92	-Deposits and Advances	2773.90		2188.27	-Deposits and Advances			2708.43	
	13172.89	-Suspense and Miscellaneous	12728.12		13132.88	-Suspense and Miscellaneous			12689.66	
	1267.04	-Remittances	1922.95		1282.33	-Remittances			1910.79	
					825.87	**VII Cash Balance at end**				**1101.27**
					245.49	**Other Cash Balances and Investments**			201.05	
					21.50	Deposits with Reserve Bank			75.52	
					558.88	Cash Balance Investment			824.70	
20823.90		**Total Section-B**			**20823.90**					
26818.35				**28009.83**	**26818.35**	**Total**				**28009.83**

Appendix-1.4
(Refer to paragraph 1.2 page 3)

Sources and application of funds

(Rupees in crore)

2006-2007			Sources	2007-2008	
20567.14		**1.**	**Revenue receipts**		**19237.62**
		2.	**Misc Capital Receipts**		**0.70**
395.45		**3.**	**Recoveries of Loans and Advances**		**1445.15**
(-) 895.56		**4.**	**Increase in Public debt other than overdraft**		**3942.99**
565.31		**5.**	**Net receipts from Public account**		**936.25**
	402.02		Increase in Small Savings	635.83	
	(-) 102.35		Increase in Deposits and Advances	65.46	
	240.92		Increase in Reserve funds	184.33	
	40..01		Net effect of suspense and Miscellaneous transactions	38.46	
	(-) 15.29		Net effect of Remittance transactions	12.17	
	941.78		Decrease in closing cash balance		
21574.12			**Total**		**25562.71**
2006-07			**Application**	**2007-08**	
18543.78		**1.**	**Revenue expenditure**		**23060.86**
444.16		**2.**	**Lending for development and other purposes**		**34.85**
2586.18		**3.**	**Capital expenditure**		**2191.60**
		4.	**Decrease in overdraft**		**-**
		5.	**Increase in closing cash balance**		**275.40**
21574.12			**Total**		**25562.71**

Appendix-1.5
(Refer to Paragraph 1.2 Page 3)

Time Series Data on State Government Finances

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Part A. Receipts						
1. Revenue Receipts	**11071**	**12139**	**13807**	**16966**	**20567**	**19238**
(i) Tax Revenue	5711(52)	6146(51)	6944(50)	8989(53)	9017(44)	9899(51)
Taxes on Agricultural Income	-	-	-	-	-	-
Taxes on Sales, Trades etc.	3072(54)	3308(54)	3816(55)	4627(51)	4829(54)	5342(54)
State Excise	1429(25)	1463(24)	1487(21)	1568(17)	1368(15)	1862(19)
Taxes on vehicles	444(8)	389(6)	404(6)	431(5)	468(5)	499(5)
Stamps and Registration fees	559(10)	729(12)	966(14)	1671(19)	1804(20)	1568(16)
Taxes and Duties on Electricity	188(3)	235(4)	252(4)	669(7)	528(6)	604(6)
Land Revenue	9	13	14	16	15	17
Other Taxes and Duties on Commodities and Services	10(0.18)	9(0.14)	6(0.08)	7(0.08)	5(0.06)	7
(ii) Non-Tax Revenue	4036(36)	4666(38)	5358(39)	4536(27)	7745(38)	5254(27)
(iii) State's share of Union taxes and duties	649(6)	754(6)	903(7)	1228(8)	1566(7)	1975(10)
(iv) Grants in aid from GOI	675(6)	573(5)	602(4)	2213(13)	2240(11)	2110(11)
2. Misc Capital Receipts	-	-	-	-	-	**1**
3. Total revenue and Non-debt capital receipts (1+2)	**11071**	**12139**	**13807**	**16966**	**20567**	**19239**
4. Recoveries of Loans and Advances	**103**	**105**	**134**	**137**	**395**	**1445**
5. Public Debt Receipts	**6246**	**7337**	**6361**	**4578**	**4275**	**5662**
Internal Debt (excluding Ways & Means Advances and Overdrafts.)	5827	6526	5791	4837	4254	5232
Net transactions under Ways and Means advances and Overdraft	-	269	22	-283	-	-
Loans and Advances from Government of India*	419	542	548	24	21	430
6. Total receipts in the Consolidated Fund (3+4+5)	**17420**	**19581**	**20302**	**21681**	**25237**	**26346**
7. Contingency Fund Receipts	-	-	-	-	-	-
. Public Account Receipts	**11972**	**10111**	**12846**	**15648**	**18357**	**19687**
. Total receipts of the State (6+7+8)	**29392**	**29692**	**33148**	**37329**	**43594**	**46033**
art B. Expenditure/Disbursement						
0. Revenue Expenditure	**14825(95)**	**15702(92)**	**17198(95)**	**18207(92)**	**18544(86)**	**23061(91)**
Plan	708(5)	615(4)	466(3)	961(5)	981(5)	1164(5)
Non-Plan	14117(95)	15087(96)	16732(93)	17246(95)	17563(95)	21897(95)
General Services	5638(38)	5639(36)	5869(32)	6801(37)	6187(33)	8365(36)
Interests	3434(23)	3712(24)	3981(22)	3715(21)	4152(23)	4527(20)
Social Services	3222(22)	3368(21)	3536(20)	3602(20)	4104(22)	4333(19)
Economic Services	2310(16)	2939(19)	3738(21)	3714(19)	3773(20)	5479(24)
Grants in aid and Contributions	221(1)	44	74	374(2)	328(2)	357(2)
. Capital Expenditure	**420(3)**	**665(4)**	**761(4)**	**1517(8)**	**2586(12)**	**2192(9)**
Plan	897(214)	623(94)	650(85)	1313(13)	2360(91)	1920(88)
Non-Plan	-477(-114)	42(6)	111(15)	204(87)	226(9)	272(12)
General Services	21(5)	18(3)	51(7)	90(6)	94(4)	135(6)
Social Services	22(5)	5	92(12)	344(23)	370(14)	490(22)
Economic Services	377(90)	642(97)	618(81)	1083(71)	2122(82)	1567(72)
. Disbursement of Loans and Advances	**339(2)**	**757(4)**	**97(0.5)**	**33(10.55)**	**444(2)**	**35(0.14)**
. Total (10+11+12)	**15584**	**17124**	**18056**	**19757**	**21574**	**25288**
. Repayments of Public Debt	**2445**	**3089**	**2817**	**1111**	**5171**	**2108**

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

Internal Debt (excluding Ways and Means Advances and Overdraft.)	**663**	**193**	**448**	**909**	**1142**	**1361**
Net transactions under Ways and Means advances and Overdraft	**352**	-	-	-	-	
Loans and Advances from Government of India*	**1430**	**2896**	**2369**	**202**	**4029**	**358**
15. Appropriation to Contingency Fund	-	-	-	-	-	-
16. Total disbursement out of Consolidated Fund (13+14+15)	**18029**	**20213**	**20873**	**20868**	**26745**	**27396**
17. Contingency Fund disbursements	-	-	-	-	-	-
18. Public Account disbursements	**11395**	**9347**	**11794**	**15154**	**17791**	**18751**
19. Total disbursements by the State (16+17+18)	**29424**	**29560**	**32667**	**36022**	**44536**	**46147**
Part C. Deficits						
20. Revenue Deficit (1-10)	**(-)3754**	**(-)3563**	**(-)3391**	**(-)1241**	**(+)2023**	**(-)3823**
21. Fiscal Deficit (3+4-13)	**(-)4410**	**(-)4880**	**(-)4115**	**(-)2654**	**(-)612**	**(-)4604**
22. Primary Deficit (21-23)	**(-)976**	**(-)1168**	**(-)134**	**(+)1061**	**(+)3540**	**(-)77**
Part D Other data						
23. Interest Payments (included in revenue State.)	**3434**	**3712**	**3981**	**3715**	**4152**	**4527**
24.Balance from Current Revenue (BCR)	(-)3415	(-) 3387	(-) 3341	-790	2252	(-)3656
25. Arrears of Revenue (Percentage of Tax & non-Tax Revenue Receipts)	3005(31)	2805(26)	965(8)	2728(20)	1917(11)	2513(17)
26. Financial Assistance to local bodies etc.	363	216	352	395	594	694
27. Ways and Means Advances/Overdraft availed (days)	190/53	159/134	156/117	22	--	40
28. Interest on WMA/Overdraft	9/1	12/2	10/2	-	-	1
29.Gross State Domestic Product (GSDP)	82339	89818	97452	109735	123397	137486
30. Outstanding Debt (year end)	38315	43197	47403	51364	51035	55982
31. Outstanding guarantees (year end)	13734	12242	8884	8851	13919	11014
32. Maximum amount guaranteed (year end)	17720	22951	23420	22086	25697	26094
33. Number of incomplete projects	7	8	10	11	11	11
34. Capital blocked in incomplete projects	859	795	882	776	1350	956

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

Appendix 1.6
(Reference Paragraph 1.2.1.2 Page 5)

Outcome indicators of the State's Own Fiscal Correction Path

(Rupees in crore)

	Base year estimate	2004-05 (A/cs)	2005-06 (Target)	2006-07 (Target)	2007-08 (Target)	2008-09 (Target)	2009-10 (Target)
1	2	3	4	5	6	7	8
A. STATE REVENUE ACCOUNT							
1. Own Tax Revenue	5558.90	6944.61	8630.00	9710.75	11073.50	12500.05	14126.55
2. Own Non-tax Revenue(Lotteries Net)	1607.92	2727.68	1402.52	1477.43	1664.13	1765.00	1876.35
3.Own Tax+Non-Tax Revenue (1+2)	7166.83	9672.29	10032.52	11188.18	12737.63	14265.05	16002.90
4.Share in Central Taxes & Duties	671.45	902.35	1234.55	1419.75	1632.70	1877.60	2159.25
5.Plan Grants	395.48	416.33	1191.79	1310.95	1442.09	1586.25	1744.88
6. Non-Plan Grants	199.90	186.14	1773.63	1316.73	1055.03	410.37	420.21
7. Total Central Transfer (4 to 6)	1266.83	1504.82	4199.97	4047.43	4129.82	3874.22	4324.34
8.Additional Resources Mobilization (ARM)	-	-	--	135.00	483.00	862.00	945.00
9.Total Revenue Receipts (3+7+8) (Lotteries Net)	8433.66	11177.11	14232.49	15370.61	17350.45	19001.27	21272.24
10.Plan Expenditure (budgeted)	729.08	465.56	1814.89	1869.35	1925.40	1983.20	2042.65
11.Non-plan Expenditure(12 to 17)	11403.94	14102.10	14552.78	15397.73	16149.80	17016.10	17931.60
12.Salary and wages	4432.63	5412.25	5882.45	6235.40	6609.50	7006.10	7426.45
13.Pension	1259.74	1513.82	1580.00	1695.00	1807.90	1952.55	2108.75
14.Interest Payments	3441.43	3981.50	4073.26	4236.20	4405.65	4581.85	4765.15
15.Subsidies-General	7.90	10.12	10.29	10.80	11.35	11.90	12.50
16.Subsidies-Power	851.08	2172.48	1435.43	1570.43	1583.00	1662.00	1745.00
17.Other Expenditure	1411.16	1011.93	1571.35	1649.90	1732.40	1801.70	1873.75
18.Total Revenue Expenditure (10+11)-Net Lotteries under Non-Tax Revenue (Lotteries Net)	12133.02	14567.66	16367.67	17267.08	18075.20	18999.30	19974.25
19.Salary+Interest+Pension (12+13+14)	9133.80	10907.57	11535.71	12166.60	12823.05	13540.50	14300.35
20.As% of Revenue Receipts (Lotteries Net) (19/9)	109.20	97.59	81.05	79.15	73.91	71.26	67.23
21.Revenue Surplus (+) Deficit (-) (9-18)	-3699.36	-3390.55	-2135.18	-1896.47	-724.75	+1.97	+1297.99
B.CONSOLIDATED REVENUE ACCOUNT:							
1. Power Sector loss/profit net of actual subsidy transfer	-89.02	-591.18	+32.00	+32.00	+32.00	+32.00	+32.00
2. Increase in debtors during the year in power utility accounts (increase(-))	123.00	129.78	135.00	140.00	145.00	150.00	155.00
3. Interest payment on off budget borrowings	-	-	-	-	-	-	-
4 SPV borrowings made by PSU/SPU outside budget	-	-	-	-	-	-	-
outside budget	-	-	-	-	-	-	-
5. Total (1 to 3)	33.98	-461.40	+167.00	+172.00	+177.00	+182.00	+187.00
6.Consolidated Revenue Deficit (A. 21+B4)	-3665.38	-3851.95	-1968.18	-1724.47	-547.75	+183.97	+1484.99
. CONSOLIDATED DEBT							
. Outstanding debt and liability	36920.52	44981.95	48666.32	52715.60	56378.44	60298.37	63404.47
. Total Outstanding guarantee (Long term) f which (a) guarantee on accounts off udgeted borrowing and SPV borrowing	6807.43 -	3379.00 (RE) -	3618.38 -	3725.75 -	3911.61 -	4107.19 -	4312.55 -
. CAPITAL ACCOUNT							
Capital Outlay	689.80	761.40	1650.00	2200.00	3000.00	4000.00	4500.00
Disbursement of Loans and Advances	720.69	96.80	100.00	100.00	100.00	100.00	100.00
Recovery of Loans and Advances	360.20	133.81	200.81	147.19	161.91	178.10	195.91
Other Capital Receipts	3108.30	3150.07	3882.49	3472.88	3646.52	3828.84	4020.28
. GROSS FISCAL DEFICIT (GFD)	-4749.65	-4114.94	-3684.37	-4049.28	-3662.84	-3919.93	-3106.10
. PRIMARY SURPLUS (+) DEFICIT (-	-1308.23	-133.44	+388.89	+186.92	+742.81	+661.92	+1659.05
ssumed Growth Rate SDP (Actual/Assumed Nominal) Growth ate (%)	81147	97452	98071	108859	120834	134126	148880
. GFD as percentage of GSDP	5.85	4.22	3.76	3.72	3.03	2.92	2.09

Appendix–1.7
(Refer Paragraph 1.5.5 page 21)

Details of outstanding Utilisation Certificates

(Rupees in crore)

Sr. No.	Department	Number of UCs Outstanding	Amount	Year of Pendency
1.	Rural Development and Panchayats	2	3.08	2001-02
2.	Health and Family Welfare 2211- Family Welfare	2	0.38	2005-06
3.	Rural Development and Panchayats	27	92.57	2006-07
4.	Planning	22	5.68	2006-07
5.	Police	1	0.03	2006-07
6.	Education	218	114.66	2007-08
7	Health and Family Welfare 2210-Medical and Public Health	7	7.37	2007-08
	TOTAL	**279**	**223.77**	

Appendix 1.8
(Refer Paragraph 1.5.7 Page 21)

Position of Accounts/Audit of Autonomous Bodies

Sr. No.	Name of the Body	Year/ Period of entrustment of audit of accounts to Comptroller and Auditor General of India	Year from which accounts due	Year upto which accounts submitted	Year upto which separate audit report issued	Year upto which separate Audit Report submitted to State Legislature	Reasons for non-finalisation of audit reports
1	Punjab Legal Service Authority	1997-98	-	2006-07	2006-07	2003-04	-
2.	Punjab State Human Rights Commission	-	1999-00	1998-99	1998-99	First Audit	SAR issued on 23.8.07
3.	Pushpa Gujral Science City Society, Kapurthala	2004-05 to 2008-09	2006-07	2006-07	N.A	N.A	SAR for 2005-06 & 2006-07 under process
4.	Punjab Labour Welfare Board	2000-01 to 2004-05	2000-01	1999-2000	1999-2000	N.A	SAR for 1999-2000 issued on 29.3.01
5.	North Zone Cultural Centre, Patiala	2005-06 to 2009-10	2006-07	2007-08	2006-07	2006-07	Under process
6.	Sant Longowal Institute of Engineering and Technology, Longowal	2005-06 to 2009-10	2006-07	2006-07	2006-07	2004-05	SAR for 2006-07 issued on 19.3.08
7.	Dr. B.R. Ambedkar Institute of Engineering and Technology, Jalandhar	2001-02 to 2005-06	2006-07	2005-06	2005-06	2005-06	SAR issued on 15.7.08

8.	National Institute of Pharmaceutical Education and Research, Mohali	2005-06 to 2009-10	2006-07	2006-07	2006-07	2005-06	SAR issued on 6.12.07
9.	Punjab Khadi & Village Industries Board, Chandigarh	2002-03 to 2006-07	2003-04	2002-03	2002-03	N.A	SAR issued on 24.5.07
10	Indian Institute of Science Education and Research , Mohali	2007-08 to 2011-12	2007-08	2007-08	First Audit	First Audit	Draft SAR sent to CAG for approval

Appendix-1.9
(Refer Paragraph 1.5.8 Page 21)

Statement showing the details of write off of losses

Sr.No.	Name of Department	Year of Account	Amount in Rupees	No. of cases	Nature of loss
1.	Director General of Police	2005-06	59000	2	Death of Animal & fire of Tent
2.	--do--	2006-07	102784	7	Death of Animal
3.	--do--	2007-08	33500	3	Death of Animal
4.	--do--	2007-08	3500	1	Computer Accessories
5.	Home Affairs and Justice	2001-02	28000	1	Pond Tent
6.	--do--	2001-02	109275	2	HBA
7.	--do--	2002-03	363700	3	HBA
8.	--do--	2003-04	756314	4	HBA
9.	--do--	2004-05	1673724	10	HBA
10.	--do--	2005-06	1829193	13	HBA
11.	--do--	2006-07	907727	6	HBA
12.	Planning Department	2007-08	6505	1	HBA
13.	Local Government.	2006-07	16321	2	Scooter Advance
14.	Health & Family Welfare	2004-05	98548	2	HBA
15.	Hospitality	2006-07	16760	2	Scooter Advance
16.	Revenue Department	2006-07	284857	1	HBA
	TOTAL		**6289708**	**60**	

Say Rs 0.63 crore.

Appendix – 2.1
(Refers to Paragraph 2.3.1, Page 38)
Statement showing major savings

(Rupees in crore)

Grant No.	Head of account	Savings
1	**Agriculture and Forests (Revenue Voted)**	
	2401-Crop Husbandry, Horticulture and Vegetable Crops, National Horticulture Mission (CSS)	20.85
2	**Animal Husbandry and Fisheries (Revenue Voted)**	
	2403-Animal Husbandry, Veterinary Services and Animal Health, Up gradation and Strengthening of Existing Veterinary Institutions by providing infrastructure, equipment and construction of new Veterinary Polyclinics under RIDF-XIII Project with the Assistance of NABARD (Plan)	23.71
	Animal Husbandry and Fisheries (Capital Voted)	
3	4403-Capital Outlay on Animal Husbandry, Veterinary Services and Animal Health, Up gradation and Strengthening of Existing Veterinary Institutions by providing infrastructure, equipment and construction of new Veterinary Polyclinics under RIDF-XIII Project with the Assistance of NABARD (Plan)	13.79
	2404–Dairy Development, Dairy Development Projects, Financial assistance to Dairy Co-operations to meet out their losses (CSS).	22.40
	2404–Dairy Development, Dairy Development Projects, Financial assistance to Dairy Co-operations to meet out their losses (CSS) (Plan)	22.40
5	**Education (Revenue Voted)**	
	2202-General Education, Elementary education, Other Expenditure, Government Junior Basic Teachers Training (DIETS 100%) (CSS)	18.60
	Elementary Education – Government Primary Schools, Mid day meal scheme (including ACA of 20 crore) (Plan)	51.50
	Elementary Education – Government Primary Schools, Sarv Shiksha Abhiyan (Plan)	74.29
	Secondary Education – Government Secondary Schools –	12.83
	Elementary Education, Other Expenditure, Sarv Shiksha Abhiyan (CSS)	80.40
	Secondary Education – Government Secondary Schools, information and communication Technology (ICT) Project (Plan)	12.75
5	**Education (Capital Voted)**	
	4202 – Capital Outlay on Education, Sports, Art and Culture – General Education, Elementary Education, Sarv Shiksha Abhiyan (Plan)	30.22
	General Education, Secondary Education, Teacher Education Establishment of DIETs (CSS)	76.37
	General Education, Secondary Education, Sarv Shiksha Abhiyan (CSS)	39.60

Grant No.	Head of account	Savings
	General Education, Secondary Education, Infrastructure Development in Government Schools through Education Cess (Plan)	30.00
	General Education, Elementary Education, Opening of Adrash School in each Block of the State (ACA) (Plan)	10.00
8.	**Finance (Revenue Voted)**	
	2075-Miscellaneous General Services, State Lotteries, Prizes	72.39
8	**Finance (Revenue Charged)**	
	2049-Interest payments, Interest on Loans and Advances from Central Government, Interest on State Plan Loans Consolidated in terms of recommendations of the 12th Finance Commission,	27.82
8	**Finance (Capital Charged)**	
	6004-Loans and Advances from the Central Government, Loans for State/Union Territory Plan Schemes, State Plan Loans Consolidated in terms of recommendations of the 12th Finance Commission,	208.20
9	**Food and Supplies (Revenue Voted)**	
	3456-Civil Supplies, Other Expenditure, Distribution of Wheat and Pulses to BPL Families at Subsidized rates, Atta Dal Scheme	215.71
11	**Health and Family Welfare (Revenue Voted)**	
	2210-Medical and Public Health, Rural Health Services, Allopathy, Subsidiary Health Centres, Subsidiary Health Centres	12.54
12	**Home Affairs and Justice (Capital-Voted)**	
	4055-Capital outlay on Police, Other Expenditure, Modernisation of Police Force	33.76
15	**Irrigation and Power (Revenue Voted)**	
	2700-Major Irrigation, Sirhind Canal System Commercial, Direction and Administration, Direction	108.81
	Irrigation and Power (Capital Voted)	
	4700-Capital Outlay on Major Irrigation, Satluj Yamuna Link (SYL) Commercial, Other Expenditure, Works Expenditure	11.94
	4701-Capital Outlay on Medium Irrigation, Lining of Laducke Drainage System Commercial, Other Expenditure, Works Expenditure (Plan)	17.21
	4701-Capital Outlay on Medium Irrigation, Remodeling/Construction of Distributaries/Minors-Commercial, Other Expenditure, Works Expenditure (Plan)	12.87
	4705-Capital Outlay on Command Area Development, Other Expenditure, Construction of Field Channels on Kotla Canal Branch (Plan)	15.15
	4705-Capital Outlay on Command Area Development, Other Expenditure, Construction of Field Channels on Sirhind Feeder Phase-II Canal System on Matching Grant Basis, Works Expenditure (CSS)	23.75

Grant No.	Head of account	Savings
	4705-Capital Outlay on Command Area Development, Other Expenditure, Construction of Field Channels on Sirhind Feeder Phase-II Canal System on Matching Grant Basis, Construction of Field Channels on Abohar Branch System on Matching Grant Basis (CSS)	12.50
	4705-Capital Outlay on Command Area Development, Other Expenditure, Construction of Field Channels on Sirhind Feeder Phase-II Canal System on Matching Grant Basis, , Construction of Field Channels on Sidhwan Canal System on Matching Grant Basis (CSS)	12.50
	4711 – Capital Outlay on Flood Control Projects, Flood Control, Civil Works, Counter Protective Works (CSS)	10.00
17	**Local Government, Housing and Urban Development (Revenue Voted)**	
	3604-Compensation and Assignments to Local Bodies and Panchayati Raj Institutions – Other Miscellaneous Compensations and Assignments, Devolution of share of Taxes and Duties to Municipalities as recommended by 3rd Punjab Finance Commission	72.48
	2217-Urban Development, General, Assistance to Local Bodies, Corporations, Urban Development Authorities, Town Improvement Bonds etc., Urban Renewal Programme-Payment of Installment of interest to LIC	30.00
17	**Local Government, Housing and Urban Development (Capital Voted)**	
	4217-Capital Outlay on Urban Development, State Capital Development, Other Expenditure, Grant-in-aid to Local Bodies for maintenance of Civil Services recommended by the 12th Finance Commission (Plan)	17.27
	4217-Capital Outlay on Urban Development, State Capital Development, Other Expenditure, Jawahar Lal Nehru National Urban Renewal Mission (JNNURM) Basic Services to Urban Poor (BSUP) (CSS)	12.69
	4217-Capital Outlay on Urban Development, State Capital Development, Other Expenditure, Jawahar Lal Nehru National Urban Renewal Mission (JNNURM) Integrated Housing and Slum Development Programme (IHSDP) (CSS)	15.84
	4217-Capital Outlay on Urban Development, State Capital Development, Other Expenditure, Jawahar Lal Nehru National Urban Renewal Mission (JNNURM) Urban Infrastructure Development Scheme for Small and Medium Town (CSS)	19.06
	4217-Capital Outlay on Urban Development, State Capital Development, Other Expenditure, Prevention of Pollution of River Sutlej – Cost of Land (CSS)	36.20
19	**Planning (Revenue-Voted)**	
	3451-Secretariat Economic Services, Planning Commission-Planning Board, Additional Central Assistance for Special Schemes/Programmes for Border Areas (Plan)	120.04

Grant No.	Head of account	Savings
19	**Planning (Capital-Voted)**	
	5475-Capital Outlay on other General Economic Services, Statistics, Formulation of District Plan at District Headquarters (Plan)	46.04
	5475-Capital Outlay on other General Economic Services, Statistics, Creation of Infrastructure facilities in the Border Areas (BADP) (CSS)	28.31
21	**Public Works (Revenue Voted)**	
	2215 – Water Supply and Sanitation – Water Supply – Direction and Administration – Direction and Administration	43.62
	2059 – Public Works – Other Buildings – Maintenance and Repairs – Industrial Training	20.68
	General, Direction and Administration, Direction	13.39
	3054-Roads and Bridges, State Highways, Road Works, State Highways	222.40
21	**Public Works (Capital Voted)**	
	4202-Capital Outlay on Education, Sports, Art and Culture, General Education, Secondary Education, Opening of Adarsh School in each Block of the State (ACA) (Plan)	50.00
	4202-Capital Outlay on Education, Sports, Art and Culture, General Education, Elementary Education, Repair/maintenance and additional Class Rooms for Government Elementary Schools in Rural Area (ACA) (Plan)	20.00
	Technical Education, Engineering/Technical Colleges and Institutes, Promoting 18 Government Polytechnic College in a uniform pattern like B.Pharmacy, D.Pharmacy and opening of ITIs, Polytechnics, Engineering Colleges and 10+2 Science Schools within same premises, one time (ACA) (Plan)	22.00
	4215 – Capital Outlay on Water Supply and Sanitation – Water Supply – Rural Water Supply – Accelerated Rural Water Supply Programme (CSS)	52.67
	Rajiv Gandhi Drinking Rural Water Supply Scheme (ACA)(Plan)	14.94
	Integrated Rural Water Supply and Environmental Sanitation Project with World Bank Assistance (Plan)	111.89
	Rajiv Gandhi National Drinking Water Mission including Repair of Damaged Water Supply Scheme (CSS)	37.07
	Rajiv Gandhi National Drinking Water Mission including Repair of Damaged Water Supply Scheme (Plan)	13.23
	NABARD aided Rural Water Supply Schemes (Plan)	10.56
	5053-Capital Outlay on Civil Aviation, Air Ports, Aerodromes, Expension of International Airport Amritsar and Sahnewal (Plan)	21.22
	5054 – Capital Outlay on Roads and Bridges – State Highways – Bridges, World Bank Scheme for Road infrastructure (Plan)	275.00
	Other expenditure, Prime Minister Gramin Sadak Yojna (PMGSY) CSS	500.00
	Other Expenditure, Central Road Fund (Plan)	34.64

Grant No.	Head of account	Savings
	4059 – Capital Outlay on Public Works – General – Construction, Courts (CSS)	25.00
	4210-Capital Outlay on Medical and Public Health, Urban Health Services, Hospitals and Dispensaries, National Rural Health Mission (NRHM) (Plan)	11.36
	Medical Education, Training and Research, Allopathy, Expansion and Improvement of Medical College, Amritsar (Plan)	12.00
	4250-Capital Outlay on Other Social Services, Other Expenditure, Creation of ITIs of Excellence in Punjab (CSS)	10.50
22	**Revenue and Rehabilitation (Revenue Voted)**	
	2245 – Relief on account of Natural Calamities, General, Other Expenditure, Expenditure for Calamities which do not fall under the norms of Government of India or in excess of norms of Government of India	18.72
	Floods, Cyclones etc, Gratuitous Relief, Gratuitous Relief	17.96
	Calamities Relief Fund, Transfer to Reserve Fund and Deposit Accounts Calamity Relief Fund,	80.50
	2029-Land Revenue, Land records, Computerisation of Land Records (CSS)	14.98
	2030-Stamps and Registration, Stamps Non Judicial, Cost of Stamps	10.29
23	**Rural Development and Panchayats (Revenue-Voted)**	
	3604-Compensation and Assignments to Local Bodies and Panchayati Raj Institutions, Other Miscellaneous compensations and Assignments, Grant for service providers to ETT teacher as regular service in their pay scale in Rural Areas	44.31
	Grant on the recommendation of 3rd State Finance Commission to Panchayati Raj Institutions	226.10
	2501-Special Programme for Rural Development, Integrated Rural Development Programme, Direction and Administration, Strengthening/Administration of DRDAs in the State (CSS)	15.00
	2515-Other Rural Development Programmes, Other Expenditure, Sampuran Gramin Rozgar Yojna (CSS)	49.50
	National Rural Employment Gurantee Scheme (Plan)	19.19
	Other Expenditure, Direction and Administration, Administration	10.58
	National Rural Employment Guarantee Scheme (CSS)	202.50
	Swaranjayanti Gram Swarojgar Yojana (CSS)	12.00
23	**Rural Development and Panchayats (Capital Voted)**	
	4515 – Capital Outlay on Other Rural Development Programme– Other Expenditure, National Rural Employment Guarantee Scheme (CSS)	67.50
	Rural Development, Grant recommended by the 12th Finance Commission to Panchayati Raj Institutions (Plan)	32.40
	Special Component Plan for Scheduled Casts, Environmental improvement of SC Basties/Villages with stress on Sanitation (ACA) (Plan)	13.14

Grant No.	Head of account	Savings
	Sampuran Gramin Rozgar Yojana (CSS)	49.50
	Indira Awas Yojana (CSS)	39.00
25	**Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes (Revenue-Voted)**	
	2225-Welfare of scheduled Castes, Scheduled Tribes and other Backward Classes, Welfare of Scheduled Castes, Special component Plan for Scheduled Castes, Capital subsidy under Bank Tie-up Loaning Programme to below poverty line scheduled Castes through Punjab Scheduled Castes Land Development and Finance Corporation (CSS)	10.00
	TOTAL	**4178.13**

Appendix–2.2

(Refers to Paragraph 2.3.2, Page 39)

Statement of various grants/appropriations indicating major head-wise/scheme- wise expenditure where there were persistent savings in excess of rupees five crore each and 20 *per cent* or more of the provisions

(Rupees in crore)

Sr. No.	Grant No.	Head of account	Year								
			2005-06			2006-07			2007-08		
		Name of Grant	Provision	Expen-diture	Saving (Percentage of saving)	Provis-ion	Expen-diture	Saving (Percentage of saving)	Provis-ion	Expenditure	Saving (Percentage of saving)
		Revenue (Voted)									
1.	**21-Public Works**	2215-Water Supply and Sanitation – Water Supply – Direction and Administration – Direction and Administration	162.49	87.23	75.26(46.32)	171.93	114.45	57.48(33.43)	187.59	143.97	43.62(23.25)
2.		2059-Public Works, Other Buildings, Maintenance and Repairs, Industrial training	26.50	13.95	12.55(47.36)	71.90	13.44	58.46(81.31)	36.00	15.32	20.68(57.44)
3.	**12-Home Affairs and Justice**	4055 – Capital Outlay on Police – Other expenditure – Modernisation of Police Force	82.16	42.90	39.26(47.78)	45.72	29.01	16.71(36.55)	59.41	25.65	33.76(56.83)
4.	**15-Irrigation and Power**	4711-Capital Outlay on Flood Control Projects – Flood Control – Civil Works – Construction of Flood Protection and Drainage Works – Works expenditure (CSS)	10.00	0	10.00 (100)	10.00	0	10.00(100)	10.00	2.80	7.20(72)
5.		Works expenditure (I) Counter Protective Works (CSS)	10.00	0	10.00 (100)	10.00	1.62	8.38(83.80)	10.00	0	10.00(100)

6.	**17-Local Government, Housing and Urban Development**	4217-Capital Outlay on Urban Development – Other Urban Development Schemes – Other expenditure –Prevention of Pollution of River Sutlej – Cost of land (CSS)	70.00	0	70.00 (100)	50.00	0	50.00(100)	36.20	0	36.20(100)
7.	**23-Rural Development and Panchayats**	4515-Capital Outlay on Other Rural Development Programmes – Rural Development –Sampuran Gramin Rozgar Yojana (CSS)	51.00	0	51.00(100)	48.92	0	48.92(100)	49.50	0	49.50(100)
8.		Indira Awas Yojana (CSS)	13.20	0	13.20(100)	25.00	0	25.00(100)	39.00	0	39.00(100)
9.	**21-Public Works**	4215-Capital outlay on Water Supply and Sanitation, Water Supply, Rural Water Supply, Accelerated Rural Water Supply Programme (CSS)	80.00	21.67	58.33(72.92)	80.00	16.95	63.05(78.81)	100.00	47.33	52.67(52.67)
		TOTAL	**505.35**	**165.75**	**339.60**	**549.88**	**175.47**	**374.41**	**527.70**	**235.07**	**292.63(55.45)**

Appendix–2.3
(Refers to Paragraph 2.3.4, Page 39)
Cases of unnecessary supplementary grants

(Rupees in crore)

Sr. No.	Grant/appropriation	Amount of grant			
		Original	Supplementary	Actual expenditure	Saving
Revenue-(Voted)					
1.	01-Agriculture and forests	526.12	2.06	413.22	114.96
2.	02-Animal Husbandry and Fisheries	250.14	26.95	196.57	80.52
3.	03-Co-Operation	103.10	2.69	57.01	48.78
4.	05-Education	2888.57	8.26	2647.09	249.74
5.	07-Excise and Taxation	69.10	14.43	59.07	24.46
6.	13-Industries	130.41	0.99	128.45	2.95
7.	14-Information and Public Relations	22.80	0.71	17.63	5.88
8.	17-Local Government, Housing and Urban Development	144.93	81.96	114.56	112.33
9.	23-Rural Development and Panchayats	841.93	65.06	331.60	575.39
10.	26-State Legislature	15.92	1.73	14.95	2.70
11.	28-Tourism and Cultural Affairs	15.78	0.95	8.77	7.96
Revenue (Charged)					
12.	05-Education	16.25	0.20	14.85	1.60
13.	13-Industries	0	0.04	0	0.04
14.	30-Vigilance	0.12	0.02	0.10	0.04
Capital (Voted)					
15.	01-Agriculture and Forests	16.77	0.50	10.00	7.27
16.	02-Animal Husbandry and Forests	9.70	13.80	0.19	23.31
17.	05-Education	197.72	10.00	9.88	197.84
18.	12-Home Affairs and Justice	111.12	30.04	73.48	67.68
19.	15-Irrigation and Power	851.53	6.00	509.46	348.07
20.	25-Social and Women Welfare and Welfare of Scheduled Castes and Backward Classes	5.00	0.01	0.01	5.00
	Total	**6217.01**	**266.40**	**4606.89**	**1876.52**

Appendix–2.4
(Refer to Paragraph 2.3.4, Page 39)
Excessive supplementary grants

(Rupees in crore)

Sr. No.	Grant/appropriation	Amount of grant				
		Original	Supplementary	Total	Actual expenditure	Saving
Revenue-(Voted)						
1.	10-General Administration	93.59	18.10	111.69	95.38	16.31
Capital (Voted)						
2.	03-Co-Operation	2.55	6.70	9.25	6.70	2.55
3.	08-Finance	18.20	9.52	27.72	24.63	3.09
						21.95

Appendix–2.5

(Refers to Paragraph 2.3.5, Page 39)

Cases where savings were not surrendered

(Rupees in crore)

Sr. No.	Grant	Saving	Amount surrendered
Revenue (Voted)			
1.	03-Co-Operation	48.78	-
2.	07-Excise and Taxation	24.46	-
3.	10-General Administration	16.31	-
4.	12-Home Affairs and Justice	26.58	-
5.	13-Industries	2.95	
6.	14-Information and Public Relations	5.88	-
7.	16-Labour and Employment	12.48	-
8.	17-Local Government, Housing and Urban Development	112.33	-
9.	23-Rural Development and Panchayats	575.39	-
10.	26-State Legislature	2.70	-
11.	29-Transport	46.12	-
Revenue (Charged)			
12.	05-Education	1.60	-
13.	21-Public Works	2.39	-
Capital (Voted)			
14.	02-Animal Husbandry and Fisheries	23.31	-
15.	03-Co-Operation	2.55	-
16.	08-Finance	3.09	-
17.	10-General Administration	20.05	-
18.	11-Health and Family Welfare	6.26	-
19.	16-Labour and Employment	5.00	-
20.	19-Planning	83.85	-
21.	21-Public Works	668.09	-
22.	23-Rural Development and Panchayats	215.05	-
23.	24-Science, Technology and Environment	25.76	-
24.	27-Technical Education and Industrial Training	34.93	-
25.	29-Transport	6.01	-
	TOTAL	**1971.92**	**NIL**

Appendix–2.6
(Refers to Paragraph 2.3.5, Page 39)
Anticipated savings not surrendered

(Rupees in crore)

Sr. No.	Grant	Total saving	Amount surrendered	Amount not surrendered	Percentage not surrendered
Revenue (Voted)					
1.	01-Agriculture and Forests	114.96	39.62	75.34	65.54
2.	02-Animal Husbandry and Fisheries	80.52	28.44	52.08	64.68
3.	04-Defence Services Welfare	13.11	2.72	10.39	79.25
4.	05-Education	249.74	31.86	217.88	87.24
5.	06-Elections	18.79	2.35	16.44	87.49
6.	09-Food and Supplies	223.64	2.41	221.23	98.92
7.	11-Health and Family Welfare	86.34	21.99	64.35	74.53
8.	22-Revenue and Rehabilitation	195.51	30.68	164.83	84.31
9.	24-Science, Technology and Environment	5.16	2.23	2.93	56.78
10.	25- Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes	100.78	33.78	67.00	66.48
11.	27-Technical Education and Industrial Training	23.55	9.53	14.02	59.53
12.	28-Tourism and Cultural Affairs	7.96	6.10	1.86	23.37
Capital (Voted)					
13.	01-Agriculture and Forests	7.27	0.91	6.36	87.48
14.	05-Education	197.84	0.50	197.34	99.75
15.	12-Home Affairs and Justice	67.68	29.53	38.15	56.37
16.	13-Industries	28.22	0.03	28.19	99.89
17.	17-Local Government, Housing and Urban Development	171.94	52.51	119.43	69.46
18.	22-Revenue and Rehabilitation	7.24	6.24	1.00	13.81
19.	28-Tourism and Cultural Affairs	21.40	20.34	1.06	4.95
	Total	**1621.65**	**321.77**	**1299.88**	**80.16**

Appendix–2.7

(Refer to Paragraph 2.3.8 Page 40)

Statement showing head and sub head-wise cases of significant and persistent excess over grants/ appropriations

(Rupees in crore)

Sr. No.	Grant No. , Head and Sub Head	Amount of excess								
		2005-2006			2006-2007			2007-08		
		Provision	Expenditure	Excess	Provision	Expenditure	Excess	Provision	Expenditure	Excess
Revenue (Voted)										
	08-Finance									
1.	2071-Pension and other RetirementBenefits, Civil, Family Pension, Family Pension	117.69	123.38	5.69	141.93	207.89	65.96	141.59	210.83	69.24
	21-Public Works									
2.	2215-Water Supply and Sanitation 01-Water Supply 799-Suspense	0	114.83	114.83	0	158.14	158.14	0	214.21	214.21
3.	2059-Public Works 60-Other Buildings 053-Maintenance and Repairs 19-Electrical Operational Works	3.50	6.54	3.04	4.00	6.59	2.59	4.00	8.39	4.39
4.	3054-Roads and Bridges 80-General 799-Suspense	0.01	1.09	1.08	0.01	4.35	4.34	0.01	2.98	2.97
5.	2059-Public Works 80-General 799-Suspense	0	101.13	101.13	0	155.22	155.22	0	120.60	120.60
6.	3054-Roads and Bridges 80-General 001-Direction and Administration 01-Establishment charges transferred on pro-rata basis to the Major Head 3054-Roads and Bridges	0	34.63	34.63	0	86.20	86.20	0	48.13	48.13

7.	2515-Other Rural Development Programme 799-Suspense	0	15.07	15.07	0	51.61	51.61	0	18.50	18.50
	Revenue Charged									
	8 – Finance									
8.	2049-Interest Payments, Interest on internal Debt, Interest on Market Loans, Interest on Market Loans	627.08	681.05	53.97	713.88	733.94	20.06	774.62	851.05	76.43
	TOTAL	**748.28**	**1077.72**	**329.44**	**859.82**	**1403.94**	**544.12**	**920.22**	**1474.69**	**554.47**

Appendix–2.8
(Refers to Paragraph 2.3.9, Page 41)
Cases of re-appropriation of funds in which excess expenditure was incurred over the budget provisions

(Rupees in crore)

Sr. No.	Major head affecting the grant	Original	Supplementary	Re-appropriation	Total grant	Expenditure	Amount of excess after re-appropriation
	Grant No.5						
1.	2202-General Education 03-University and Higher Education 104-Assistance to Non-Government Colleges and Institutes 01- Assistance to Non-Government Colleges and Institutes	80.29	0	26.21	106.50	119.43	12.93
	Grant No.08						
2.	2071-Pension and other Retirement Benefits 01-Civil 101-Superannuation and Retirement Allowances 01-Pension and Other Retirement Benefits	1130.86	0	207.21	1338.07	1538.43	200.36
3.	2071-Pension and other Retirement Benefits 01-Civil 102-Commuted Value of Pensions- 01- Commuted Value of Pensions-	53.87	0	29.17	83.04	171.82	88.78
4.	2071-Pension and other Retirement Benefits 01-Civil 104-Gratuites- 01- Gratuites-	304.28	0	16.26	320.54	335.97	15.43
5.	6003-Internal Debt of the State Government- 110-Ways and Means Advances from the Reserve Bank of India- 01-Loans and Advances from the Reserve Bank of India-	1.00	0	9.00	10.00	388.43	378.43
6	6003-Internal Debt of the State Government- 105-Loans from the National Bank for Agriculture and Rural Development- 01- Loans from the National Bank for Agriculture and Rural Development-	144.05	0	0.50	144.55	158.98	14.43
	Total	**1714.35**	**0**	**288.35**	**2002.70**	**2713.06**	**710.36**

Appendix–2.9

(Refers to Paragraph 2.3.9, Page 41)

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	Supplementary	Re-appropriation	Total grant	Expenditure	Amount of final Saving
1.	1.	2401-Crop Husbandry 001-Direction and Administration 01-Direction	71.03	0.10	0.09	71.22	61.98	9.24
2.		2402-Soil and Water Conservation 102-Soil Conservation 20-Centrally Sponsored Scheme for Micro Irrigation on Horticulture (CSS)	4.00	0	2.00	6.00	0	6.00
3.		4402-Capital Outlay on Soil and Water Conservation- 102-Soil Conservation 12-Micro Irrigation (NABARD RIDF) (Plan)	0.50	0	5.10	5.60	0	5.60
4.	4	3604-Compensation and Assignment to Local Bodies and Panchayati Raj Institutions 200-Other Miscellaneous Compensations and Assignments 01-Grant-in-Aid to Municipal Committees/Corporations/ Notified Area Committees in liew of abolition of octroi in the State	3.20	0	0.40	3.60	0	3.60
5.	5.	2202-General Education 03-University and Higher Education 103-Government Colleges and Institutes 02-Government Professional Colleges	3.89	0	0.16	4.05	1.24	2.81
6.	6	2015-Elections 106-Charges for conduct of elections to State/Union Territory Legislature 102-Electoral Officers- 01- Electoral Officers-	18.58	0	1.86	20.44	10.23	10.21
7.	7.	2040-Taxes on Sales, Trade etc. 001-Direction and Administration 01- Direction and Administration	51.76	0.41	0.14	52.31	45.40	6.91

8.	8.	6004-Loans and Advances from the Central Government 02-Loans for State/Union Territory Plan Schemes 105-State Plan Loans Consolidated in terms of recommendations of the 12th Finance Commission 01- State Plan Loans Consolidated in terms of recommendations of the 12th Finance Commission	162.50	0	131.58	294.08	85.88	208.20
9.		7610-Loans to Government Servants etc. 800-Other Advances 11-Wheat Advance	12.00	9.52	0.60	22.12	19.13	2.99
10	12	4055-Capital Outlay on Police 207-State Police 05-Chief Minister Security	4.24	0	1.65	5.89	3.23	2.66
11	15	2700-Major Irrigation 01-Sirhind Canal System-Commercial 001-Direction and Administration 01-Direction	246.95	1.35	1.53	249.83	141.02	108.81
12		2701-Medium Irrigation 80-General 001-Direction and Administration 01-Direction	35.31	0.18	0.97	36.46	31.14	5.32
13		2702-Minor Irrigation 03-Mantainance 103-Tubewells-Other Maintenance Expenditure 01-Direction	35.48	0	1.64	37.12	34.72	2.40
14		2711-Flood Control and Drainage 01-Flood Control 001-Direction and Administration 01- Direction and Administration	52.72	0.54	2.30	55.56	52.90	2.66
15		4700-Capital Outlay on Major Irrigation 05-Shahpur Kandi Project-Commercial 001-Direction and Administration 02-Supervision (Plan)	5.10	0	3.24	8.34	4.79	3.55
16		4701-Capital Outlay on Medium Irrigation 13-Remodelling/Construction of Distributories/Minors-Commercial 800-Other Expenditure 08-Works Expenditure (Plan)	11.00	0	2.99	13.99	1.12	12.87

17		4701-Capital Outlay on Medium Irrigation 11-Living Laducke Drainage System-Commercial 800-Other Expenditure 08-Works Expenditure (Plan)	19.28	0	0.72	20.00	2.79	17.21
18		4701-Capital Outlay on Medium Irrigation 41-Living of Dehlon Distributaries System-R.I.D.F.-XII-Commercial 800-Other Expenditure 08-Works Expenditure (Plan)	1.75	0	2.25	4.00	0	4.00
19		4702-Capital Outlay on Minor Irrigation- 800-Other Expenditure 03-Renovation/Replacement of existing Tube wells (Plan)	1.00	0	1.21	2.21	0	2.21
20	17.	3604-Compensation and Assignments to Local Bodies and Panchayati Raj Institutions- 200-Other Miscellaneous Compensation and Assignments 17-Devolution of Share of Taxes and Duties to Municipalities as recommended by the 3rd Punjab Finance Commission	10.00	81.96	9.27	101.23	28.75	72.48
21		4217-Capital Outlay on Urban Development 60-Other Urban Development Schemes 800-Other Expenditure 26-Grant-in-aid to Local Bodies for maintenance of Civil Services recommended by the 12th Finance Commission (Plan)	34.20	0	17.27	51.47	34.20	17.27
22		4217- Capital Outlay on Urban Development 60-Other Urban Development Schemes 800-Other Expenditure 36-Jawahar Lal Nehru National Urban Renewal Mission (JNNURM) Basic Service to Urban Poor (BSUP) (CSS)	3.00	0	9.69	12.69	0	12.69
23		4217- Capital Outlay on Urban Development 60-Other Urban Development Schemes 800-Other Expenditure 36-Jawahar Lal Nehru National Urban Renewal Mission (JNNURM) Integrated Housing and Slum Development Programme (IHSDP) (CSS)	3.00	0	12.84	15.84	0	15.84

24		4217- Capital Outlay on Urban Development 60-Other Urban Development Schemes 800-Other Expenditure 36-Jawahar Lal Nehru National Urban Renewal Mission (JNNURM) Basic Service to Urban Poor (BSUP) (Plan)	1.00	0	4.07	5.07	0	5.07
25		4217- Capital Outlay on Urban Development 60-Other Urban Development Schemes 800-Other Expenditure 35-Municipal Development Fund (Plan)	0	0	111.11	111.11	110.00	1.11
26	22	2245-Relief on account of Natural Calamities 05-Clamity Relief Fund 101-Transfer to Reserve Funds and Deposit Accounts-Calamity Relief Fund 01- Transfer to Reserve Funds and Deposit Accounts-Calamity Relief Fund	160.99	0	76.67	237.66	157.16	80.50
27		2053-District Administration 800-Other Expenditure 093-District Establishment 01- District Establishment	100.33	0	4.51	104.84	97.35	7.49
28	25	2235-Social Security and Welfare 02-Social Welfare 102-Child Welfare 06-Integrated Child Development Services Honorarium to Anganwari Workers and Helpers	12.54	0	0.99	13.53	11.08	2.45
29		2225-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes 01-Welfare of Scheduled Castes 789-Special Component Plan for Scheduled Castes 33-Share Capital Contribution to Punjab Scheduled Castes Land Development and Finance Corporation Investment (CSS)	2.40	0	0.96	3.36	0	3.36
30		2225-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes 03-Welfare of Backward Classes 277-Education 04-Scheme of Post-matric Scholarship to Other Backward Classes for Study in India	0	0	2.09	2.09	0	2.09
		Total	**1067.75**	**94.06**	**409.90**	**1571.71**	**934.11**	**637.60**

Appendix-2.10

(Refers to Paragraph 2.4, Page 41)

List of re-appropriation orders which were not accepted by AG (A&E)

(Rupees in crore)

Sr. No.	Grant No.	Gross amount of the Re-appropriation order	Authority by which order was issued	Brief reasons of rejections
1.	01-Agriculture and Forests	5.70	Financial Commissioner and Secretary to Govt. of Punjab, Forests Department, Chandigarh.	Re-appn order is not according to revised estimates.
2.	2-Animal Husbandry and Fisheries	4.30	Secretary to Government, Punjab, Department of Animal Husbandry, Fisheries and Dairy Development, Chandigarh	(i) Re-appn order is not according to revised estimates. (ii) Total of re-appropriation order in respect of 'From' and 'To' sides do not tally.
3.	19-Planning	89.56	Secretary to Government of Punjab, Planning Department, , Chandigarh.	(i) Re-appropriation order is not according to revised estimates. (ii) Total of the re-appropriation order in respect of 'From' and 'To' sides do not tally. (iii) Surrenders/Withdrawal used without prior permission of Finance Department. (iv) Saving of salary used in other SOE's.
4.	21-Public Works	189.48	Secretary to Government Punjab, Department of Public Works, B&R Branch, Patiala	(i) Re-appropriation order made to the new scheme. (ii) Re-appn order has not been classified properly.
5.	24-Science, Technology and Environment	8.65	Secretary to Government of Punjab, Deptt. of Science, Technology and Environment, Chandigarh	(i) Re-appn order is not according to revised estimates. (ii) Total of re-appropriation order in respect of 'From' and 'To' sides do not tally.
6.	29-Transport	33.50	Principal Secretary to Government Punjab, Department of Transport, Chandigarh	(i) Re-appn order is not according to revised estimates. (ii) Total of re-appropriation order in respect of 'From' and 'To' sides do not tally.
	Total	**331.19**		

Appendix-2.11

(Refers to paragraph 2.5 page 41)

Statement showing rush of expenditure during the 4th quarter of 2007-08

(Rupees in crore)

Sr. No.	Head	Exp in 4th Qr.	Exp (March)	Total Exp.	% 4th qtr : Total	% March: Total
1	2852	101.40	101.40	101.40	100.00	100.00
2	4402	4.68	1.00	4.69	99.92	21.30
3	4070	9.11	7.48	10.41	87.55	71.79
4	4515	85.57	31.11	101.29	84.48	30.72
5	3425	1.32	0.52	1.64	80.45	31.58
6	4055	56.08	38.89	72.17	77.71	53.89
7	5452	2.59	1.10	3.59	72.12	30.67
8	4250	2.40	1.87	3.36	71.38	55.68
9	2401	127.01	98.58	183.88	69.07	53.61
10	5475	66.35	26.53	101.83	65.16	26.06
11	3451	453.70	172.64	742.88	61.07	23.24
12	3435	7.19	6.19	12.34	58.27	50.16
13	2203	21.79	16.37	41.51	52.49	39.43
14	5055	2.96	2.24	5.90	50.10	37.92
TOTAL		941.79	505.56	1386.53	67.93	36.46

Appendix-2.12
(Refer to paragraph-2.7.2, page 42)

Persistent Savings in reviewed grants/appropriation

(Rupees in lakh)

Sr. No.	Grant/Head of Account/ Name of the Scheme	Total Grant/Amount of savings (Percentage)		
		2005-06	2006-07	2007-08
	Grant No. 1- Agriculture & Forests			
	Revenue Non-Plan State			
1.	2401-Crop Husbandry 001-Direction and Administration 01- Direction	6150.58 498.56 (8.11)	6463.32 793.99 (12.28)	7121.75 923.47 (12.97)
	Revenue Plan CSS			
2.	103-Seeds 08-Centrally Sponsored Scheme for National Seed Research Training Centre.	0.50 0.50 (100)	0.50 0.50 (100)	0.50 0.50 (100)
3.	107-Plant Protection 03-Setting up of Bio-Central Laboratories under the Central Sector Scheme of setting up of IPM Centers.	12.70 12.70 (100)	12.70 12.70 (100)	12.70 12.70 (100)
4.	111-Agricultural Economics and Statistics. 06-Centrally Sponsored Scheme for Crop estimation surveys on fruits vegetables and minor crops.	4.30 1.42 (33.02)	4.30 1.26 (29.30)	3.30 2.78 (84.24)
5.	07-Rationalisation of Irrigation Statistics.	36.00 24.47 (67.97)	34.00 24.54 (72.18)	35.00 26.84 (76.69)
6.	113-Agricultural Engineering 13-Central Sector Scheme for Promotion & Strengthening of Agricultural mechanisation through Training and demonstration.	19.90 19.90 (100)	64.26 29.58 (46.03)	100.00 70.43 (70.43)
7.	119-Horticulture & Vegetable Crops 15-Scheme for crop estimation survey on fruits, vegetables and minor crops.	20.00 10.45 (52.25)	20.00 11.40 (57)	20.00 13.76 (68.80)
	Revenue Plan Share			
8.	001-Direction and Administration 07-Centrally Sponsored and Macro Management work Plan for Agriculture Department.	1440.00 738.50 (51.28)	772.38 119.61 (15.49)	1154.34 95.59 (8.28)

9.	108-Commercial Crops. 20-Integrated Scheme of oil seeds, pulses Oil palm and Maize (ISOPOM)	<u>144.55</u> 78.70 (54.44)	<u>30.00</u> 17.24 (57.47)	<u>217.38</u> 68.56 (31.54)
	Revenue Plan State			
10.	108-Commercial Crops 20-Integrated Scheme of oil seeds pulses Oil palm and Maize (ISOPOM)	<u>48.15</u> 26.19 (54.39)	<u>10.00</u> 6.80 (68)	<u>72.46</u> 23.01 (31.76)
11.	109-Extension and Farmer's Training 10-Centrally Sponsored Scheme for Support to State Extension Programme for Extension reforms.	<u>35.20</u> 30.09 (85.48)	<u>5.00</u> 5.00 (100)	<u>104.20</u> 104.20 (100)
	Revenue Non Plan State			
12.	2406-Forestry and Wild Life 01-Forestry 001- Direction and Administration 01- Direction and Administration	<u>2336.88</u> 82.16 (3.52)	<u>2539.73</u> 110.46 (4.35)	<u>2749.29</u> 87.26 (3.17)
	Revenue Plan CSS			
13.	02-Environmental Forestry and Wild Life. 110-Wild Life Preservation 02-Assistance for the development of sanctuaries.	<u>150.00</u> 150.00 (100)	<u>150.00</u> 150.00 (100)	<u>100.00</u> 100.00 (100)
	Revenue Plan Share			
14.	02-Environmental Forestry and Wild Life 111-Zoological Park 07-Integrated Forest Protection.	<u>234.53</u> 234.53 (100)	<u>0.30</u> 0.30 (100)	<u>112.50</u> 112.50 (100)
	Revenue Plan State			
15.	01-Forestry 102-Social and Farm Forestry 09-Externally Aided Social Forestry Development Project.	<u>7712.60</u> 3990.47 (51.74)	<u>4200.00</u> 548.23 (13.05)	<u>3000.00</u> 601.89 (20.06)
	Capital Plan CSS			
16.	4810-Capital Outlay on Non-Conventional Sources of Energy. 101-Bio-Energy 01-Scheme for the creation of Bio Gas Plants in the State.	<u>200.00</u> 200.00 (100)	<u>200.00</u> 200.00 (100)	<u>35.00</u> 35.00 (100)
	Grant No.3-Co-Operation			
	Revenue Plan Share			
17.	2404-Dairy Development 102-Dairy Development Projects. 03-Financial Assistance to Dairy Co-Operative to meet out their losses.	<u>465.00</u> 465.00 (100)	<u>1592.60</u> 1592.60 (100)	<u>2500.00</u> 2240.00 (89.60)

	Revenue Non-Plan State			
18.	2425-Co-Operation 001-Direction and Administration 01-Direction	3520.07 135.13 (3.84)	3697.34 221.08 (5.98)	3911.25 113.30 (2.90)
	Revenue Plan Share			
19.	2851-Village and Small Industries. 110-Composite village and Small Industries and Co-Operatives. 13-Assistance to Apex and Primary Handloom Workshop Co-Operative Societies under Deen Dayal Hath Kargha Protsahan Yojna.	1.00 1.00 (100)	15.00 15.00 (100)	5.00 5.00 (100)
	Capital Plan CSS			
20.	4425-Capital Outlay on Co-Operation 190-Investment in Public Sector and Other Undertakings 02-Share Capital Assistance /Rehabilitation Assistance to Primary Marketing Societies in Development States.	60.00 60.00 (100)	60.00 60.00 (100)	50.00 50.00 (100)
	Grant No. 5-Education.			
	Revenue Non-Plan State			
21.	2071-Pensions and other Retirement Benefits 01-Civil 109-Pensions to employees of State Aided Educational Institutions 01-Pension to Employees of State Aided Educational Institutions (Schools)	1510.00 215.20 (14.25)	1485.00 26.45 (1.78)	2276.00 25.00 (1.10)
	Revenue Non-Plan State			
22.	2202-General Education 01-Elementary Education 101-Government Primary Schools 01-Government Primary Schools.	52841.67 3480.70 (6.59)	52856.29 5610.52 (10.61)	49845.48 3000.82 (6.02)
23.	102-Assistance to Non-Government Primary Schools 01- Assistance to Non-Government Primary Schools by Education Department.	560.10 258.26 (46.11)	543.24 211.69 (38.97)	543.24 268.15 (49.36)
24.	03-University and Higher Education 103-Government Colleges and Institutes 01-Government Arts Colleges. (V)	6309.06 288.04 (4.57)	6598.66 87.05 (1.32)	7054.49 619.82 (8.79)

	(C)	2.44 2.26 (92.62)	2.20 1.23 (55.91)	2.20 2.20 (100)
25.	800-Other Expenditure 01-Reimbusement to Transport Deptt./PRTC in lieu of Free/Concessional Facilities to Students of Colleges and Universities in Government /PRTC Buses.	1454.82 1454.82 (100)	1650.00 174.83 (10.60)	1454.82 681.69 (46.86)
	Revenue Plan CSS			
26.	02-Secondary Education 105-Teachers Training 01-Government Junior Basic Teachers Training (DIETS 100%)	1485.00 1485.00 (100)	7530.57 7354.67 (97.66)	1860.00 1860.00 (100)
27.	109-Government Secondary Schools 33-Integral Education of Disabled Children of the State.	200.00 200.00 (100)	200.00 200.00 (100)	200.00 200.00 (100)
28.	03-University and Higher Education 107-Scholarships 07-Government of India –National Scholarship Scheme.	12.00 12.00 (100)	43.00 31.02 (72.14)	30.00 30.00 (100)
29.	08-Government of India Scholarships for the Students of Non-Hindi speaking area for studying Hindi.	13.10 13.10 (100)	23.70 23.70 (100)	41.00 41.00 (100)
	Revenue Plan Share			
30.	01-Elementary Education 800-Other Expenditure 09-Sarv Shiksha Abhiyan	12060.00 12059.91 (100)	13065.00 13065.00 (100)	8040.00 8040.00 (100)
31.	04-Adult Education 800-Other Expenditure 01-Adult Education Programme (Literacy Programme)	500.00 500.00 (100)	200.00 197.09 (98.55)	200.00 200.00 (100)
	Revenue Plan State			
32.	01-Elementary Education 101-Government Primary Schools. 10- Sarv Shiksha Abhiyan	4020.00 637.88 (15.87)	4355.00 1728.36 (39.69)	8040.00 7428.90 (92.40)
33.	13-Mid Day Meal Scheme (MDM) (including ACA of 20.00 Crore)	800.00 800.00 (100)	3400.00 2700.00 (79.41)	5500.00 5150.00 (93.64)
34.	02-Secondary Education 109-Government Secondary School 06-Improvement of Science Education in School (ADHOC)	4.00 2.35 (58.75)	1.00 1.00 (100)	102.00 102.00 (100)

35.	04-Adult Education 800-Other Expenditure 01-Adult Education Programme (Literacy Programme)	250.00 69.49 (27.80)	100.00 100.00 (100)	100.00 100.00 (100)
	Revenue Plan CSS			
36.	2204-Sports and Youth Services 102-Youth Welfare Programmes for Students. 05-Taking over of N.F.C. Scheme.	11.70 11.70 (100)	9.00 9.00 (100)	12.00 12.00 (100)
37.	06-State Level N.S.S. Cell	14.50 6.44 (44.41)	14.50 7.04 (48.55)	14.50 4.86 (33.52)
	Revenue Plan State			
38.	103-Youth Welfare Programmes for Non Students. 01-Centre for Training and Establishment of Border Youth.	350.00 94.63 (27.04)	400.00 96.25 (24.06)	500.00 89.48 (17.90)
	Capital Plan CSS			
39.	4202-Capital Outlay on Education, Sports, Art and Culture. 01-General Education 202-Secondary Education 04-Teacher Education Establishment of DIET'S	973.35 973.35 (100)	1023.35 1023.35 (100)	7637.35 7637.35 (100)
	Grant No.15-Irrigation & Power			
	Revenue Non-Plan State			
40.	2711-Flood Control and Drainage 01-Flood Control 001-Direction And Administration 01- Direction And Administration	4817.67 331.73 (6.89)	5153.55 363.31 (7.05)	5556.06 265.88 (4.79)
41.	04-Fifty Per Cent State Share for Bainband Works of Northern Railways	149.92 149.92 (100)	149.92 149.92 (100)	149.92 149.92 (100)
	Capital Plan State			
42.	4705-Capital Outlay on Command Area Development 800-Other expenditure 11-Construction of Field Channels on Kotla Canal Branch(50:50)	825.00 134.68 (16.32	1000.00 35.43 (3.54)	1590.00 1515.25 (95.30)

	Capital Non-Plan State			
43.	4711-Capital outlay on Flood Control Projects 01-Flood Control 001- Direction And Administration 01- Direction And Administration	2800.00 541.90 (19.35)	2500.00 755.36 (30.21)	3100.00 580.27 (18.72)
	Capital Plan CSS			
44.	4711-Capital outlay on Flood Control Projects 01-Flood Control 103-Civil Works 05-Construction of Flood Protection and Drainage works.	1000.00 1000.00 (100)	1000.00 1000.00 (100)	1000.00 720.24 (72.02)
45.	08-Works expenditure Counter Protective works	1000.00 1000.00 (100)	1000.00 838.07 (83.81)	1000.00 1000.00 (100)
	Capital Plan State			
46.	4711-Capital outlay on Flood Control Projects 03-Drainage 103-Civil Works 07-Project for reclamation of water logged and Saline Area of Punjab (DWD)	337.00 337.00 (100)	17.84 17.84 (100)	333.00 182.81 (54.89)
47.	28-Project for construction of Flood Protection works on River Ghaggar and its Tributaries in Districts.	700.00 700.00 (100)	247.00 247.00 (100)	246.46 246.46 (100)
48.	42-Project Proposal for Flood Protection works on River Ravi, Beas and Satluj and providing Protection.	1845.03 1845.03 (100)	336.11 183.08 (54.47)	380.00 81.39 (21.42)
	Grant No.17-Local Govt. Housing & Urban Development.			
	Revenue Non Plan State			
49.	2217-Urban Development 80-General 191-Assistance to Local Bodies corporation, Urban Development Authorities, Town Improvement Boards Etc. 01-National Fire Service College, Nagpur-contribution towards Training of local Bodies employees' incentive grant.	0.36 0.36 (100)	0.36 0.36 (100)	0.36 0.36 (100)

	Revenue Non Plan State			
50.	3604-Compensation and Assistance to local bodies and Panchayati Raj Institutions 200-Other miscellaneous compensation and assignments 12-Grant-in-aid to municipal committee/corporations .Notified Area Committee in view of Abolition of Octroi in the State.	19789.82 6719.05 (33.95)	8000.00 1051.87 (13.15)	7200.00 362.91 (5.04)
	Capital Plan State Share			
51.	4217-Capital outlay on Urban Development 60-Other Urban Development Schemes 800-Other Expenditure 05-Prevention of Pollution of River Sutlej cost of land.	7000.00 7000.00 (100)	5000.00 5000.00 (100)	3620.00 3620.00 (100)
52.	11-Sawarn Jayanti Shehri Rozgar Yojna	200.00 200.00 (100)	200.00 200.00 (100)	80.00 80.00 (100)
53.	29-National Urban Information System (70:30)	12.00 12.00 (100)	12.00 12.00 (100)	41.00 41.00 (100)

Appendix-2.13

(Refer to Paragraph-2.7.2, Page 42)

Statement showing the details of cases where entire provision remained unutilised

(Rupees in lakh)

Sr. No.	Sr. No. of Appendix 2.12	Total Grant / Saving			Total
		2005-06	2006-07	2007-08	
1.	2.	0.50	0.50	0.50	**1.50**
2.	3.	12.70	12.70	12.70	**38.10**
3.	13.	150.00	150.00	100.00	**400.00**
4.	14.	234.53	0.30	112.50	**347.33**
5.	16.	200.00	200.00	35.00	**435.00**
6.	19.	1.00	15.00	5.00	**21.00**
7.	20.	60.00	60.00	50.00	**170.00**
8.	27.	200.00	200.00	200.00	**600.00**
9.	29.	13.10	23.70	41.00	**77.80**
10.	36.	11.70	9.00	12.00	**32.70**
11.	39.	973.35	1023.35	7637.35	**9634.05**
12.	41.	149.92	149.92	149.92	**449.76**
13.	47.	700.00	247.00	246.46	**1193.46**
14.	49.	0.36	0.36	0.36	**1.08**
15.	51.	7000.00	5000.00	3620.00	**15620.00**
16.	52.	200.00	200.00	80.00	**480.00**
17.	53.	12.00	12.00	41.00	**65.00**
	TOTAL	**9919.16**	**7303.83**	**12343.79**	**29566.78**

Abstract

Year	Amount (Rupees in lakh)
2005-06	**9919.16**
2006-07	**7303.83**
2007-08	**12343.79**
Total	**29566.78**

Say Rs.295.67 Crore

Appendix-2.14

(Refer to paragraph 2.7.3, Page 42)

Savings due to funds not released by the Finance Department /Sanction not issued by the Government/Vacant post etc.

(Rupees in lakh)

Sr. No.	Grant/Head of Account/Name of the Scheme	Final Saving	Contributing reasons as stated by the department.
	Grant No. 17 Local Government Housing and Urban development		
	Revenue Non Plan State		
1.	2217-Urban Development 191-Assistance to Local Bodies Corporation, Urban Development Authorities and Town Improvement Boards etc. 02. Urban renewal Programme Payment of instalment of interest to L.I.C.	3000.04	Rs. 30.00 Crore relates to P.M.F (10% of VAT) , which was not released by the F.D.
2.	80 –General 001-Direction & Administration 02- Direction & Administration	31.79	Due to vacant post.
3.	04-Town Planner	34.57	Due to non receipt of sanction/approval from Finance Department in respect of Medical bill/T.A. bill etc.
4.	191-Assistance to Local Bodies Corporation. Urban Development Authorities, Town Improvement Boards etc. 01-National Fire service college, Nagpur, contribution towards Training Local Bodies Employees Incentive Grant.	0.36	Sanction /Advice of Finance Department not received.

	Revenue Non Plan State		
5.	3604-Compensation and assignments to Local Bodies and Panchayati Raj Institutions. 200-Other miscellaneous compensations and assignments. 12- Grant –In-Aid to Municipal Committees/Corporations notified area Committees in lieu of Abolition of Octroi.	362.91	Sanctions not received from Finance Department
6.	17- Devolution of share of Taxes and Duties to Municipalities as recommended by the 3rd Punjab Finance Commission.	7247.51	Funds not released by Finance Department
7.	20-Compensation and assignment to Grant (ETT Teachers in Rural Areas)	537.58	Government Sanction not received.
	Capital Plan Share		
8.	4217- Capital Outlay on Urban Development 60-Other Urban Development Schemes 800- Other expenditure 05- Prevention of Pollution of River Sutlej-Cost of land	3620.00	Funds not released by Finance Department
9.	11-Sawarn Jayanti Shehri Rozgar Yojna.	80.00	Funds not released by Finance Department
10	29-National Urban Information System (70:30)	41.00	Funds not released by Finance Department
11.	34-Jawaharlal Nehru National Urban Renewal Mission (JNNURM) Sub-mission on Urban Infrastructure and Governance	771.38	Funds not released by Finance Department
12.	36-Jawaharlal Nehru National Urban Renewal Mission (JNNURM) Basic Services to Urban Poor.	1268.65	Funds not released by Finance Department
13.	37-Jawaharlal Nehru National Urban Renewal Mission (JNNURM) Urban Infrastructure Development Scheme for small and medium towns	1906.00	Funds/Advice not given by Finance Department

14	38-Jawahar Lal Nehru National Urban Renewal Mission (JNNURM) Integrated Housing and Slum Development Programme	1584.00	Advice of Finance Department not received.
	Capital Plan State		
15.	11-Sawarn Jayanti Shehri Rozgar Yojna.	1.00	Sanction of Finance Department not received
16.	34-Jawaharlal Nehru National Urban Renewal Mission (JNNURM) Sub-mission on Urban Infrastructure and Government.	72.55	Sanction not issued by Finance Department/ Government
17.	35- Municipal Development Fund.	111.25	Sanction not issued by Finance Department
18.	36-Jawaharlal Nehru National Urban Renewal Mission (JNNURM) Basic Services to Urban poor.	507.46	Sanction not issued by Finance Department
19.	37-Jawaharlal Nehru National Urban Renewal Mission (JNNURM) Urban infrastructure Development Scheme for small and medium towns	312.00	Sanction not issued by Finance Department
20.	38-Jawaharlal Nehru National Urban Renewal Mission (JNNURM) Integrated Housing and Slum Development Programme.	198.00	Fund not released by Finance Department
21.	39-Amritsar Sewerage Project funded by JBIC (For land Acquisition)	1.00	Sanction not issued by Government
	Grant No.15-Irrigation & Power		
	Revenue Non-Plan State		
22.	2801-Power. 80-General 01-State Electricity Regulatory Commission.	116.72	Rs. 89.72 Lakh withdrawn out of PSERC Fund account and balance saving of Rs 27.00 lakh due to vacant post & medical bills etc.
	TOTAL	**21805.77**	

Says Rs.218.06 Crore

Appendix -2.15
(Refer to paragraph 2.7.3, Page 42)

Savings due to bills not passed by the Treasury.

(Rupees in lakh)

Sr. No.	Grant/Head of Account/Name of the Scheme	Final Saving
	Grant No. 17 Local Government Housing and Urban development	
	Capital Plan State	
1.	4217-Capital Outlay on Urban Development 60-Other Urban Development Schemes 800- Other Expenditure 14- Integrated Development of Small and Medium Towns.	21.33
2.	26- Grant-in-Aid to Local Bodies for maintenance of Civil Services recommended by the 12th Finance Commission.	1726.96
3.	29- National Urban Information System (70:30)	18.00
	TOTAL	**1766.29**

Says Rs. 17.66 Crore

Appendix -2.16
(Refer to paragraph 2.7.3, Page 42)

Expenditure incurred without Budget Provision

(Rupees in crore)

Sr. No.	Grant/Head of Account/Name of the Scheme	Final Excess	Contributing reasons as stated by the department.
	Grant No.15- Irrigation & Power		
	Capital Plan State		
1	4801-Capital outlay on Power Projects. 80-General 101-Investment in State Electricity Board. 01-Assistance to Punjab State Electricity Board.	44.14	Estimate was sent to Finance Department but no sanction was received.
	Grant No.17- Local Government Housing and Urban development		
	Capital Plan State		
2.	4217-Capital Outlay on Urban Development 60-Other Urban Development Schemes 800-Other Expenditure 41-Devoluation of Share of Taxes and duties to municipalities as recommended by 3rd Punjab Finance Commission.	3.00	Sanction was issued by the Finance Department but at the time of preparation of supplementary grants, it was not included due to oversight inadvertently.
	TOTAL	**47.14**	

Appendix 2.17
(Refers to paragraph 2.7.3. Page 42)
Substantial excess over Grant

(Rupees in Lakh)

Sr. No.	Grant/Head of Account/Name of the Scheme	Provision	Expenditure	Excess	Contributing reasons as stated by the department.
	Grant No.15- Irrigation & Power				
	Revenue Non Plan State				
1.	2045-Other Taxes and Duties on Commodities 103-Collection Charges-Electricity Duty 01-Electricity Duty	189.22	198.57	9.35	Excess due to less released by Finance Department in revised estimate.
2.	2801-Power 80-General 800-Other Expenditure 01-Subsidy under Rural Electrification of Punjab Electricity Board.	284073.00	284804.00	731.00	The Government of Punjab vide its letter dated 10.09.07 consented for providing subsidy to PSEB to the tune of Rs.2548.73 Crore relating to AP Consumers & SC/Non SC BPL DS Consumer in the first instance but later on the Government also decided to provide further subsidy pertaining to other categories also. Accordingly the subsidy was released to the tune of Rs. 2848.04 crore against the revised provision of Rs2840.73 crore which resulted in excess expenditure of Rs.7.31 crore .
	TOTAL	**284262.22**	**285002.57**	**740.35**	

Says Rs.7.40 crore

Appendix – 3.1
(Refers to Paragraph 3.1.15, Page 51)

Statement showing works pertaining to NABARD-XII, where cash security was released in advance

Name of Division	Name of work	Cost of work *(Rupees in crore)*	Cash security deducted and released *(Rupees in lakh)*	Date of completion of work	Due date of release of security	Date of release of cash security
Provincial Division, Mansa	Upgradation of Bhikhi-Budhlada-Ratia road	7.99	19.67	October 2007	October 2009	March 2008
Provincial Division, Mansa	Stg. of Mansa-Talwandi Sabo road	1.89	5.25	October 2007	October 2009	March 2008
Proviancial Divison I, Patiala	Upgradation of Devigarh Naneola road	3.85	16.59	May 2007	May 2009	September 2007 and January 2008
	TOTAL	**13.73**	**41.51**			

Appendix – 3.2
(Refers to Paragraph 3.1.18, Page 53)

Statement showing excess expenditure on laying of Semi Dense Bituminous Concrete (SDBC)

Name of division	Name of work	Quantity executed by adopting 30 mm SDBC	Expenditure incurred *(Rupees in lakh)*	Excess quantity of SDBC *(in MT)*	Excess expenditure *(Rupees in lakh)*
Provincial Division, Ferozepur	Mukatsar-Ferozepur Road (MDR-71)	5348.36 MT @ Rs 2446/MT	130.82	891.39	21.80
Construction Division, Ludhiana	Halwara-Pakhowal Road Km 0-6.05 (ODR-2)	2363.06 MT @ Rs. 2449/MT	57.87	393.84	9.65
-do-	Reconst./Wdg/STg. of Jagraon Raikot Malerkotla road (MDR-51)	16769.21 MT @ Rs 2450/MT	410.85	2794.87	68.47
-do-	Reconst/Stg/Wdg & Stg. Sarabha-Raikot Road (ODR-14)	3757.12 MT @ Rs. 2455/MT	92.24	626.19	15.37
Construction Division, Malerkotla	S/R Dhuri-Shahpur Road (ODR-13)	6657.76 MT @ Rs. 2500/MT	166.44	1109.63	27.74
-do-	S/R Dhuri-Bhalwan Road (ODR-7)	2428 MT @ Rs. 2425	58.88	404.67	9.81
-do-	S/R of Ladda-Ballian Road (ODR-8)	6659.56 MT @ Rs. 2469/MT	164.42	1109.93	27.40
-do-	S/R Malerkotla-Jarg-Khanna Road (Km 0.00 to 9.00)(MDR-33)	3602.60 MT @ Rs. 2307	83.11	600.43	13.85
-do-	S/R Malerkotla-Jarg-Khanna Road (Km 9.00 to 18.20) (MDR-33)	3651.745 MT @ Rs. 2421	88.41	608.62	14.73
Provincial Division, Mansa	S/R of approach road to But Stand Mansa (ODR-11)	890.83 MT @ 2586/MT	23.04	148.47	3.84
-do-	Stg. of Mansa-Talwandi Sabo Road (ODR-9)	2670.60 MT @ 2450/MT	65.43	445.10	10.90
-do-	Upgradation of Bhikhi-Budhlada-Ratia Road (MDR 20)	8136.32 MT @ Rs. 2895/MT	235.55	1356.05	39.26

Provincial Division II, Patiala	Lalru -Handesra Khellan-Mellan Road (ODR-44)	5745.345 MT @ 2304/MT	132.37	957.56	22.06
-do-	Rsgand Stg. of Mubarakpur Sundran Nimbuan Road (ODR-47)	1655.49 MT @ 2274/MT	37.65	275.92	6.27
-do-	AC Road to Zoo via Shatabgarh (ODR-9)"	1258.92 MT @ 2241/MT	28.21	209.82	4.70
Provincial Division No. I, Patiala	Stg of Northern Bye Pass (ODR-32)	2279.335 MT @ Rs. 2400/MT	54.70	379.89	9.12
Construction Division, Mukerian	Improvement of Mukerian-Talwara Road (MDR-69)	5868.45 MT @ Rs. 2420/MT	142.02	978.08	23.67
		TOTAL	**1972.01**	**13290.46**	**328.64**

Appendix – 3.3
(Refers to Paragraph 3.1.19, Page 53)

Statement showing excess expenditure due to adoption of excess quantity of stone metal and 18 *per cent* screening

(Amount in Rupees)

Sr. No.	Name of Division	Name of work	Compacted quantity of WBM in cum	Rate paid with loose stone metal 1.33 cum	Rate of loose stone metal required @ 1.21 cum	Excess rate paid	Amount
1.	Construction Division No. 2, Amritsar	Amritsar-Chogawan Rania Road (MDR-69)	12642.52	925/cum	853/cum	72/cum	910261.44
2.	Provincial Divison No. 1, Patiala	Patiala-Bhadson Road (ODR-20)	4517.75	1301/cum	1197/cum	104/cum	469846.00
3.	Construction Division, Gurdaspur	Harchowal Bet Pattan upto Kiri Afgana Road (ODR)	5229.26	1248/cum	1142/cum	106/cum	554301.56
4.	Central Works Division, Bathinda	Bathinda-Mukatsar Road (MDR-11)	12693.09	1648/cum	1505/cum	143/cum	1815111.87
5.	Provincial Division, Mansa	Bhikhi-Budhlada Ratia Road	15283.20	1602/cum	1471/cum	131/cum	2002099.20
6.	Provincial Division, Ferozepur	Moga-Harike Road	4898.57	1450/cum	1332/cum	118/cum	578031.00
	-do-	Moga-Khosa Pando Road (ODR-04)	5565.02	1025/cum	943/cum	82/cum	456332.00
7.	Construction Division, Ropar	Ropar-Noorpur Bedi Abiana Road (Group-I)	2538.41	1170/cum	1079/cum	91/cum	230995.00
	-do-	-do- (Group-II)	3507.87	1155/cum	1066/cum	89/cum	312200.00
	-do-	-do- (Group-III)	3610.59	1178/cum	1082/cum	96/cum	346617.00
8.	Construction Division, Pathankot	Batala-Khanuwan Road	12283.87	797/cum	735/cum	62/cum	761599.94
		TOTAL	**82770.15**				**8437395.01**

Say Rs. 84.37 lakh

Appendix – 3.4
(Refers to Paragraph 3.1.21, Page 54)

Statement showing avoidable expenditure incurred on providing tack coat over Bituminous Macadam for SDBC

Name of Division	**Name of work**	**Qty of tack coat applied for SDBC over BM**	**Amount involved** *(Amount in Rupees)*
Provincial Division, Sangrur	Sunam Lehra Jakhal Road Km. 0.45 to 38.06 (Group I, II)	144779.50 sqm @ Rs. 13.50	1954523
	Sunam Lehra Jakhal Road Km. 0.45 to 38.06 (Group III)	82404.525 sqm @ Rs. 13.58	1119053
Construction Division, Malerkotla	Malerkotla-Jarg Khanna Road Km 0.0 to9 (MDR-33)	51725.72 sqm @ Rs. 11.50	594840
	Malerkotla-Jarg Khanna Road Km 0.0 to18.20 (MDR-33)	52681.25 sqm @ Rs. 13.25	698080
Central Works Division, Bathinda	Bathinda-Mukatsar Road (MDR-41)	115681 sqm @ 14.10/sqm	1631102
Provincial Division No. I, Patiala	(i) Patiala Bahdson Road	42067.045 sqm @ Rs. 13.65	574215
	(ii) Northern Bye Pass	33425.25 sqm @ Rs. 13.85	462940
TOTAL			**7034753**

Say Rs. 70.35 lakh

Appendix – 3.5
(Refers to Paragraph 3.1.25, Page 56)

Statement showing details of works where completion reports were not submitted

(Rupees in crore)

Sr. No.	Name of Division	No. of works completed	Cost of works completed	Month of completion	Memo No. & date	Reply of the department
1	Construction Division, Malerkotla	5	14.13	9/06 to 10/06	21 dated 15.4.08	Reply will follow
2	Provincial Division, Mansa	2	9.86	10/2007	13 dated 24.4.08	-do-
3.	Provincial Division II, Patiala	5	15.00	1/07 to 2/08	12 dated 27.3.08	-do-
4.	Construction Division I, Ludhiana	4	13.13	3/06 to 11/06	18 of 3/2008	PCRs being submitted
5.	Provincial Division I, Patiala	3	10.67	6/07 to 11/07	14 dated 25.3.08	-do-
6.	Construction Division, Ropar	2	10.07	8/2005	11 dated 27.2.08	-do-
7.	Construction Division No. 2, Amritsar	3	10.28	9/06 to 3/07	18 dt. 11/07	PCR will be submitted after receiving funds
8.	Provincial Division, Sangrur	6	42.07	5/07 to 9/07	19 dated 2/2008	PCR will be submitted in due course
9.	Construction Division No. 2, Bathinda	7	15.31	6/04 to 4/07	11 dated 11.3.08	-do-
			140.52			

Appendix – 3.6
(Refers to Paragraph 3.1.26, Page 56)

Statement showing detail of divisions/ works where provision of contingent charges was made in the estimates

(Rupees in lakh)

Sr. No.	Name of the Division	Number of works estimate	Year	Amount of provision of contingent expenditure made in the estimate
1.	Construction Division, Ropar	5	2005-06 to 2007-08	50.81
2.	Construction Division, Gurdaspur	6	2003-04 to 2005-06	39.69
3.	Provincial Division, Sangrur	2	2006-07	22.78
4.	Construction Division No. 2, Amritsar	6	2005-06 to 2006-07	40.53
5.	Construction Division No. 1, Mohali	4	2004-05 to 2005-06	14.35
6.	Construction Division, Patiala	2	2003-04	9.26
	TOTAL	**25**		**177.42**

Say Rs. 1.77 crore

Appendix 4.1

(Refer paragraph 4.2.2 (a) page 60)

Statement showing detail of units granted inadmissible investment incentive

Sr. No.	Name of unit	Date of sanction	Date of payment	Industrial Policy	Amount of capital subsidy paid (Rs in lakh)
1	M/s Kang Agro-Industries Vill. Kotla Shamaspur (Ludhiana)	15.5.1997	April 2007	1992	8.78
2	M/s Shiva Rice Mills Qadian (Gurdaspur)	9.7.1997	April 2007	1992	5.91
3	M/s Gobind Rice Mills, Hargobindpur Road Umarpura Batala	8.7.1997	April 2007	1992	6.58
4	M/s Hotel Park Avenue, Phillour (Jalandhar)	23.4.1998	April 2007	1996	25.00
5	M/s Handa Paper and Board Mill Naushera Majja Singh, Gurdaspur	23.4.1998	April 2007	1996	6.64
6	M/s Jammu Cold Storage, Jalandhar	4.9.1998	April 2007	1996	14.05
				TOTAL	**66.96**

Appendix – 4.2
(Refers to Paragraph 4.6.1, Page 89)

Statement showing paragraphs/reviews for which explanatory notes were not received upto 31.03.2008 (Audit Report Civil)

Sr. No.	Name of the Department	2001-02	2002-03	2003-04	2004-05	2005-06	Total
1.	Agriculture	-	-	-	1	-	1
2.	Education Department	-	1	-	1	2	4
3.	Financial assistance to local bodies. Science, Technology, Environment and Non-conventional Energy Department	1	-	-		-	1
4.	General Admn. (Home, Transport & Justice)	-	2	1	2	2	7
5.	General paras General Admn, Home Affairs & Justice, Finance, Police, Jails, Education , Food & Supply, Agriculture, Town & Country Planning Rural Development, Animal Husbandry, Health & Family Welfare, Cooperation, Public Works Deptt. (PHB) Local Government, Defence Service Social Welfare Sports & Youth Service Rehabilitation , Transport Science and Technology, Industry, Public Works Department(B&R) Public Works Department (Irrigation and Power) Revenue, Tourism and Cultural Training, Labour and Employment, Housing and Urban Development Information and Public Relation Department	-	-	1	-	1	2
	Health and Family Welfare	-	2	1	1	1	5
	Industry	-	-	1	-	-	1
	Public Works Department (Building & Roads)	4	5	6	3	-	18
	Public Works Department (Public Health)	-	-	2	-	-	2
	Public Works Department (Irrigation and Power)	2	5	4	2	6	19
	Revenue Department	-	-	1	-	-	1
	Rural Development Panchayat Department	1	1	-	1	1	4
	Social Welfare	-	2	-		1	3
	Science and Technology	-	-	-	-	-	-
	Tourism and cultural	-		1		-	1

16.	Transport	-		1		1	2
17.	Tech. Education & Industrial Training	-	-	-	1	1	2
18.	Animal Husbandry	1	-	-		-	1
19.	Cooperative Department	1	-	-		-	1
20.	Printing and Stationary	-	-	-	-	-	-
21.	Housing and Urban Development	-	1	-	1	-	2
22.	Information and public relation	-	1	-		-	1
23.	Labour and employment	-	-	1		-	1
24.	Planning	-	-	1	-	-	1
25.	Food, civil supplies and Consumer affairs Deptt.	-	-	-	-	-	-
26.	Water supply and Sanitation Deptt. (PH)	-	-	-	2	1	3
27.	Information and Technology	-	-	-	-	1	1
28.	Fisheries Department	-	-	-	-	1	1
29.	Department of Architecture	-	-	-	-	1	1
	Total	**10**	**20**	**21**	**15**	**20**	**86**

Reviews: 18 **Paras: 68**

Appendix – 4.3
(Refers to Paragraph 4.6.1, Page 89)

List of Reviews and Paras of Report of CAG of India for which explanatory notes were not received up to 31.03.2008

(Audit Report Civil)

S. No.	Name of the Department	Year of Audit Report	Para No.s	Total	Grand Total
1.	Agriculture	2004-05	4.7.2	1	1
2.	Education Department	2002-03 2004-05 2005-06	4.2.1 4.6.1 3.4(Review), 4.4.2	1 1 2	4
3.	Financial Assistance to Local Bodies Science, Technology, Environment and Non-conventional Energy Department	2001-02	6.1 (Review)	1	1
4.	General Administration (Home, Transport, Justice Jail, Police)	2002-03 2003-04 2004-05 2005-06	3.6(Review),4.1.5 4.2.11 4.4.2, 4.5.1, 4.4.3,, 4.5.3	2 1 2 2	7
5.	General Paras General, Admn, Home Affairs And Justice, Finance, Police, Jails, Education, Food & Supply, Agriculture, Town & Country Planning, Cooperation, Public Works Deptt. (PHB), Local Government, Defence Service, Social Welfare, Sports & Youth Service, Rehabilitation, Rural Development, Animal Husbandry, Health and Family Welfare. Transport Science and Technology, Industry, Public Works Department(B&R) Public Works Department (Irrigation and Power) Revenue, Tourism and Cultural Training, Labour and Employment, Housing and Urban Development Information and Public Relation Department	2003-04 2005-06	4.6.1 4.6.1	1 1	2

6.	Health & Family Welfare	2002-03 2003-04 2004-05 2005-06	4.4.3,4.5.1(PT),4.6.1 3.4(Review), 4.7.1 4.2.3	2 1 1 1	5
7.	Industry	2003-04	3.5(Review)	1	1
8.	Public Works Deptt. (Bridge and Roads)	2001-02 2002-03 2003-04 2004-05	4.1 (Review),4.2,4.3,5.1 4.1,4.1.2,4.5.1,4.5.3,4.5.4 3.1Review,3.2 Review 4.2.8,4.3.2,4.5.2,4.5.3 3.1 (Review) 3.3 (Review) 4.4.1 Pt. 4.4.2 Pt. 4.4.3	4 5 6 3	18
9.	Public Works Department (Public Health)	2003-04	4.2.10,5.1(Review)	2	2
10.	Public Works Department (Irrigation and Power)	2001-02 2002-03 2003-04 2004-05 2005-06	4.4, 4.5 3.3(Review),3.4(Review),4.3 .14.3.2,4.4.1, 4.1.1,4.1.2,4.2.12,4.4.1 4.2.2, 4.2.3, 4.1.1, 4.1.2, 4.2.8, 4.3.1, 4.3.2, 4.3.3	2 5 4 2 6	19
11.	Revenue Department	2003-04	4.2.9,	1	1
12.	Rural Development and Panchayats Department	2001-02 2002-03 2004-05 2005-06	6.3 4.4.2 4.4.1 4.3.4	1 1 1 1	4
13.	Social Welfare Department SC & BC, Women and Child Development	2002-03 2005-06	3.7(Review) 4.6.3 3.3(Review)	2 1	3
14.	Science Technology & Environment.	-	-	-	-
15.	Tourism and cultural Affairs	2003-04	4.2.7	1	1
16.	Transport	2003-04 2005-06	4.2.1 5.1(Review)	1 1	2
17.	Technical Education and Industrial Training	2004-05 2005-06	5.1 (Review) 4.5.1	1 1	2
18.	Animal Husbandry	2001-02	3.2	1	1
19.	Cooperation Department	2001-2002	3.3	1	1
20.	Housing and Urban Development Department	2002-03 2004-05	4.1.3, 4.2.1	1 1	2
21.	Information and Public Relation	2002-03	4.1.4	1	1
22.	Labour and employment	2003-04	3.3(Review)	1	1
23.	Planning	2003-04	4.2.5	1	1
24.	Water Supply and Sanitation Deptt.(PH)	2004-05 2005-06	4.1.2, 4.4.4 3.1(Review)	2 1	3
25.	Information and Technology	2005-06	4.2.5	1	1
26.	Fisheries Department	2005-06	4.2.7	1	1
27.	Department of Architecture	2005-06	4.5.2	1	1
	Grand Total				**86**

Appendix – 5.1
(Refers to Paragraph 5.1.2, Page 92)

Details of Sanctioned and Vacant Posts as on 01.04.2003 in Soil and Water Conservation Department

Sr No	Category	Total sanctioned strength	Filed post	Vacant Post
1)	Chief Conservator of Soils, Punjab	01	01	--
2)	Conservator of Soils	05	04	01
3)	Divisional Soil Conservation Officer	18	12	06
4)	Sub-Divisional Soil Conservation Officer	48	42	06
5)	Establishment Officer	01	-	01
6)	Superintendent G-1	01	-	01
7)	Map officer	01	--	01
8)	Personal Assistant	01	01	-
9)	Circle Head Draftsman	03	-	03
10)	Assistant Controller (F & A)	05	04	01
11)	Sectional Officer (Accounts)	04	04	--
12)	Superintendent G-2	18	18	-
13)	Senior Assistant/Accountant/Store Keeper	94	91	3
14)	Stenographer	23	17	06
15)	Technical Assistant	01	01	--
16)	Statistical assistant	01	--	01
17)	Steno typist	37	33	04
18)	Clerks/ typists/ storekeepers	173	167	06
19)	Patwari	60	19	41
20)	Soil conservation inspector (law)	01	01	--
21)	Gestatenor Operator	11	08	03
22)	Restorer	01	01	--
23)	Daftari	01	01	--
24)	Chowkidar	52	45	07
25)	Soil Conservation Officer	226	142	84
26)	Surveyor/ A.S.I/	792	687	105
27)	Beldars	146	135	11
28)	Head Draftsmen	07	07	-
29)	Draftsmen/Cartographer Assistant	67	63	04
30)	Junior Draftsmen	86	42	44
31)	Junior Scientific Assistant	02	--	02
32)	Lab Assistant	04	01	03
33)	Chainman	06	04	02
34)	Khalassi	20	13	07

35)	Dak Runner	15	15	-
36)	Barkandaj	10	07	03
37)	Peon	130	117	13
38)	Head Peon	01	01	--
39)	Sweepers	02	-	02
40)	Malli	01	01	--
41)	Car/jeep Driver	53	24	29
42)	Truck Driver	11	-	11
43)	Tractor Driver	13	02	11
44)	Bulldozer Operator	07	07	-
45)	Motor Grader Operator	01	01	-
46)	Senior Mechanic	02	01	01
47)	Foreman	01	--	01
48)	Mechanic	02	01	01
49)	Truck Cleaner	11	--	11
50)	Tractor Cleaner	10	01	09
51)	Bulldozer helpers	07	04	03
52)	Motor Grader helper	01	01	--
53)	Workshop helper	05	02	03
54)	Auto Electrician	01	01	--
55)	Photographer	01	--	01
TOTAL		**2202**	**1750**	**452**

Total men-in position	**1750**
Technical	**1137**
Non-Technical	**613**

Appendix – 5.2
(Refers to Paragraph 5.1.2, Page 92)

Details of Sanctioned and Vacant Posts as on 31-03-2008 in Soil and Water Conservation Department

	Category	Total sanctioned strength	Filed post	Vacant Post
1)	Chief Conservator of Soils, Pb	01	01	--
2)	Conservator of Soils	05	01	04
3)	Divisional Soil Conservation Officer	18	02	16
4)	Sub-Divisional Soil Conservation Officer	48	29	19
5)	Establishment Officer	01	01	--
6)	Superintendent G-1	01	--	01
7)	Map officer	01	--	01
8)	Personal Assistant	01	01	--
9)	Circle Head Draftsman	03	--	03
10)	Assistant Controller (F & A)	05	04	01
11)	Sectional Officer (Accounts)	04	04	--
12)	Superintendent G-2	18	07	11
13)	Senior Assistant/Accountant/Store Keeper	94	89	05
14)	Stenographer	23	17	06
15)	Technical Assistant	01	01	--
16)	Statistical assistant	01	--	01
17)	Steno typist	37	35	02
18)	Clerks/ typists/ storekeepers	173	152	21
19)	Patwari	60	23	37
20)	Soil conservation inspector (law)	01	01	--
21)	Gestatenor Operator	11	08	03
22)	Restorer	01	01	--
23)	Daftari	01	01	--
24)	Chowkidar	52	37	15
25)	Soil Conservation Officer	226	119	107
26)	Surveyor/ A.S.I/	788	418	370
27)	Beldars	146	130	16
28)	Head Draftsmen	07	04	03
29)	Draftsmen/Cartographer Assistant	67	60	07
30)	Junior Draftsmen	86	48	38
31)	Junior Scientific Assistant	02	--	02
32)	Lab Assistant	04	--	04
33)	Chainman	06	04	02

34)	Khalassi	20	10	10
35)	Dak Runner	15	11	04
36)	Barkandaj	10	09	01
37)	Peon	130	109	21
38)	Head Peon	01	01	--
39)	Sweepers	02	01	01
40)	Malli	01	01	--
41)	Car/jeep Driver	53	21	32
42)	Truck Driver	11	01	10
43)	Tractor Driver	13	02	11
44)	Bulldozer Operator	07	06	01
45)	Motor Grader Operator	01	00	01
46)	Senior Mechanic	02	01	01
47)	Foreman	01	--	01
48)	Mechanic	02	01	01
49)	Truck Cleaner	11	--	11
50)	Tractor Cleaner	10	01	09
51)	Bulldozer helpers	07	02	05
52)	Motor Grader helper	01	01	--
53)	Workshop helper	05	02	03
54)	Auto Electrician	01	01	--
55)	Photographer	01	--	01
TOTAL		**2198**	**1393**	**805**

Note: ***One post of Photographer and 4 posts of ASI/Surveyors were abolished in lieu of revival of four posts of SCO vide Punjab Government letter No. 13/9/99-Agri-III/4271 dated 31-03-2005. Hence the total sanctioned strength of Staff is 2197.***

Total working strength	**1393**
Technical	**724**
Non-Technical	**669**