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GOVT. PUNJAB

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2007

(CIVIL)

GOVERNMENT OF PUNJAB

Price: Rs 65 (Inland)
US $ 5 (Foreign)

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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 2007.

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 departmentally run commercial undertakings 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 2006-07 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 2006-07 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 2006-07 and three others comprising six Performance Audits/Long paragraphs including Internal Control System and 22 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 - has shown noticeable improvement during the last two years especially in 2006-07. The emergence of revenue surplus along with a sharp decline in fiscal deficit and a steep increase in primary surplus during 2006-07 apparently indicates towards the robust fiscal health of the State. However, a further analysis reveals that significant improvement in the fiscal indicators during the current year was mainly on account of a sharp increase in non-tax revenue receipts of the State during the current year due to a credit entry of Rs 3,903 crore on account of waiver of specific term loan (Rs 3,772 crore) and debt waiver (Rs 131 crore) under DCRF during 2006-07. The State's own tax revenue, on the other hand has merely increased by Rs 28 crore (0.31 *per cent*) in 2006-07 over the previous year. Moreover, the tax revenue at Rs 9,017 crore in 2006-07 remained significantly lower than both the projections made by the TFC as well as the by the State Government in its FCP 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. The investments in statutory corporations, joint stock companies and co-operatives stood at Rs 3,762 crore during 2006-07 but the negligible return on these investments (less than one *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.

Working of Irrigation Department

Performance Audit of Irrigation Department disclosed cases of financial, planning and programme mismanagement. Nine projects approved in annual plans were not implemented depriving irrigation potential of 3.27 lakh hectares instead three projects not included in the annual plans were executed indicating poor planning. Unchecked increase in installation of tubewells rendered 103 blocks overexploited, five blocks critical and four blocks semi-critical out of 137 blocks in the State. Delay in providing funds, construction of minors without adequate survey resulted in unfruitful expenditure of Rs 2.26 crore. Failure to complete and operationalize lift drainage schemes resulted in unfruitful expenditure of Rs 1.68 crore. Short utilization of departmental machinery resulted in unproductive expenditure of Rs 13.30 crore on establishment. As crew charges were excluded from the operational cost of machinery therefore Rs 3.43 crore could not be recovered from client departments/agencies.

Central Road Fund for Development of State Roads in Punjab

Performance Audit of utilization of CRF for development and maintenance of State roads in Punjab revealed that planning was deficient as despite availability of Rs 103.63 crore under CRF, roads financed under CRF were transferred on Build, Operate and Transfer basis to private agencies; Rs 4.92 crore were utilized out of CRF on land acquisition and development of National Highway against guidelines and change in specifications led to additional burden on State exchequer.

Cattle and Buffalo Development Programme

Performance Audit of Cattle and Buffalo Development Programme implemented by the Animal Husbandry Department revealed poor performance of artificial insemination services. Buffalo bulls produced in farm did not qualify for supply of semen to semen bank. There was avoidable burden of Rs 20.42 lakh on state exchequer due to appointment of 10 bull attendants during 2002-07, although no bulls were kept in veterinary hospitals/dispensaries due to switching over to artificial insemination in place of natural breeding.

Nutrition Programmes under Integrated Child Development Services Scheme and other schemes

Government of India (GOI) launched (1975-76) ICDS with the objectives to (i) improve nutrition and health status of children, (ii) reduce the incidence of mortality, morbidity, mal-nutrition, (iii) enhance the capability of mothers to look after the health and nutritional needs of children, (iv) lay the foundation for proper psychological, physical and social development of the child and (v) achieve effective co-ordination for implementation of policy among various departments to promote child development. To achieve the objective of improving nutrition and health status three schemes - Supplementary Nutrition Programme (SNP); Kishori Shakti Yojana (KSY) and Nutrition Programme for Adolescent Girls (NPAG) are being implemented.

Performance Audit of Nutrition Programmes showed that funds were drawn in advance of requirements and kept outside government accounts resulting in loss of interest Rs 7.93 lakh. The reconciliation of expenditure was not done. Expenditure was overstated by Rs 6.90 crore and utilisation certificates for Rs 39.28 crore were not furnished. Material costing Rs 39.47 lakh seized by Vigilance became unfit for human consumption due to its non-utilization within prescribed shelf life. Wheat and rice were not lifted from godowns denying benefit to 604709 beneficiaries. The overall shortfall in coverage of beneficiaries was between 32 and 85 *per cent*. Monitoring of the scheme was weak.

Information Technology Audit of Integrated Treasury Information System of Punjab

Information Technology Audit of Integrated Treasury Information System of Punjab manifested improper planning as no Information Technology strategy, System Development Life Cycle approach and Information Technology security policies were formulated. Input controls were not implemented properly and web based linkages with banks and Finance Department could not be established, thereby affecting monitoring for ways and means and non-optimal utilisation of computerisation.

Evaluation of Internal Control System in Jail Department

A review of internal control of selected areas of Jail Department has shown that control on budgeting was lacking as savings were not surrendered on time and the prescribed system to ensure inclusion of liabilities in the budget estimates was not followed. Committee for classifying new prisoners was not formed. There was wide variation in ratio of security staff to prisoners across prisons. Out of 145 prisoners who escaped from Jails, only five were re-arrested and under-trial prisoners were not produced in courts on due date. The congestion in prisons remained unabated. The monitoring system was weak, reports and returns were not being sent, internal audit was not being done and the number of vigilance cases was rising.

Findings of Transaction Audit

The audit of financial transactions in various departments of the Government and their field formations revealed instances of embezzlement of government money, losses and unfruitful expenditure and forfeiture of central assistance. Important cases (Rs 88.71 crore) are mentioned below:

There were instances of suspected fraud of government money in Animal Husbandry Department (Rs 16.62 lakh). Loss due to wrong fixation of price for allotment of plots in Agriculture Department (Rs 53.45 lakh) and irregular disbursement of calamity relief fund in Revenue Department (Rs 2.50 crore).

There were cases of overpayment/avoidable payment and unfruitful expenditure in the Departments of Irrigation and Power (Rs 1.93 crore) and Health and Family Welfare (Rs 2.57 crore).

There were cases of undue financial aid and avoidable expenditure in Departments of Public Works Department (Buildings & Roads) (Rs 16.03 crore), Housing and Urban Development (Rs 1.25 crore) and Irrigation and Power (Rs 44.27 lakh).

There were cases of loss of central assistance in the Departments of Water Supply and Sanitation, Science and Technology and Revenue (Rs 47 crore); idle investment/blockage of government money in the Departments of Irrigation and Power (Rs 5.01 crore), Finance (Rs 2 crore), Home (Rs 1.14 crore), Cultural Affairs, Archaeology and Museums (Rs 2.36 crore) and Health and Family Welfare (Rs 83.17 lakh).

There was case of non-levy of departmental charges in Agriculture Department (Rs 4.94 crore).

CHAPTER-I

FINANCES OF THE STATE GOVERNMENT

CHAPTER-I

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 2006-07 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 2006-07

(Rupees in crore)

2005-06	Receipts	2006-07	2005-06	Disbursements	2006-07		
				Section-A: Revenue	Non-Plan	Plan	Total
16966.48	**Revenue receipts**	**20567.14**	**18206.73**	**Revenue expenditure**	**17563.23**	**980.55**	**18543.78**
8989.28	Tax revenue	9017.16	10516.25	General services	10335.03	3.61	10338.64
4536.33	Non-tax revenue	7744.58	3602.40	Social services	3868.70	235.02	4103.72
1227.55	Share of Union Taxes/Duties	1565.75	3714.06	Economic services	3064.45	708.42	3772.87
2213.32	Grants from Government of India	2239.65	374.02	Grants-in-aid and Contributions	295.05	33.50	328.55
				Section-B: Capital			
-	**Misc Capital Receipts**	**-**	**1516.89**	**Capital Outlay**	226.10	2360.08	**2586.18**
136.70	**Recoveries of Loans and Advances**	**395.45**	**33.48**	**Loans and Advances disbursed**			**444.16**
4577.93	**Public debt receipts***	**4274.99**	**1111.35**	**Repayment of Public Debt***			**5170.55**
-	**Contingency Fund**	**-**	**-**	**Contingency Fund**			**-**
15648.34	**Public Account receipts**	**18356.90**	**15154.28**	**Public Account disbursements**			**17791.59**
460.93	**Opening Cash Balance**	**1767.65**	**1767.65**	**Closing Cash Balance**			**825.87**
37790.38	**Total**	**45362.13**	**37790.38**	**Total**			**45362.13**

** Excluding Ways and Means Advances and Overdraft*

Following are the significant changes during 2006-07 over previous year:

- Revenue receipts increased by Rs 3,601 crore from Rs 16,966 crore in 2005-06 to Rs 20,567 crore in the current year mainly on account of increase in non-tax revenue (Rs 3,208 crore) and share of Union taxes and duties (Rs 338 crore). The increase in non-tax revenue was outcome of two credit entries of Rs 3,772 crore (principal amount) on account of waiver of special term loans granted by GOI and debt relief of Rs 131 crore received by the State as an incentive under Debt Consolidation and Relief Facility[1] (DCRF).
- The total expenditure of the State has increased by Rs 1,817 crore during 2006-07 over the previous year of which capital expenditure contributed Rs 1,069 crore (59 *per cent*), revenue expenditure shared Rs 337 crore (18 *per cent*) and the remaining Rs 411 crore (23 *per cent*) were due to increase in disbursement of loans and advances during the year.
- The recovery of loans and advances exhibited the sharp increase to Rs 395 crore from the level of Rs 137 crore in the previous year. This increase was on account of a recovery of Rs 300 crore shown under the Finance Accounts from Punjab State Electricity Board for transmission schemes. However, the amount of Rs 300 crore was also indicated as loans advanced during the year to PSEB.
- Repayment of public debt increased by Rs 4,059 crore mainly due to repayment of Block Loans (Rs 3,469 crore) to Government of India under loans for State Plan Schemes while the public debt receipts were reduced by Rs 303 crore.
- The Public Account receipts has increased by Rs 2,709 crore in 2006-07 over the previous year as against the increase in payments of Rs 2,637 crore during the year.
- The net impact of the above fiscal transactions of the State was reflected in terms of a decline of Rs 942 crore in its cash balances as on 31 March 2007 from the level of opening balance of Rs 1,768 crore in the beginning of the current year.

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.**

[1] In pursuance of the recommendations of the Twelfth Finance Commission (TFC) for fiscal consolidation and elimination of revenue deficit of the states, Government of India formulated a scheme **"The States' Debt Consolidation and Relief Facility (DCRF) (2005-06) to 2009-10)"** under which general debt-relief is provided by consolidating and rescheduling at substantially reduced rate of interest the Central loans granted to States on enacting the FRBM Act and debt waiver is granted based on fiscal performance, linked to the reduction of revenue deficits of States.

Table 1.2

(Rupees in crore)

2005-06	Sr.No	Major Aggregates	2006-07
16966	**1.**	**Revenue Receipts (2+3+4)**	**20567**
8989	2.	Tax Revenue (Net)	9017
4536	3.	Non-Tax Revenue	7744
3441	4.	Other Receipts	3806
137	**5.**	**Non-Debt Capital Receipts**	**395**
137	6.	*Of which* Recovery of Loans	395
17103	**7.**	**Total Receipts (1+5)**	**20962**
17483	**8.**	**Non-Plan Expenditure**	**18233**
17246	9.	On Revenue Account	17563
3715	10.	*Of which* Interest Payments	4152
237	11.	On Capital Account	670
33	12.	Of which Loans Disbursed	444
2274	**13.**	**Plan Expenditure**	**3341**
961	14.	On Revenue Account	981
1313	15.	On Capital Account	2360
-	16.	Of which Loans Disbursed	-
19757	**17.**	**Total Expenditure (13+8)**	**21574**
(-)1241	18.	Revenue Deficit (-)/Surplus (+)[(1) – (9+14)]	(+)2023
(-)2654	19.	Fiscal Deficit (-)/Surplus (+) [(1+5) – 17]	(-)612
(+)1061	20.	Primary Deficit (-)/Surplus (+) (19-10)	(+)3540

Table-1.2 shows that revenue receipts increased by Rs 3,601 crore (21 *per cent*) during 2006-07 while revenue expenditure increased by Rs 337 crore (2 *per cent*) over the previous year resulting in a surplus of Rs 3,264 crore during the current year. The huge surplus in revenue account during the current year turned the deficit of Rs 1,241 crore in the previous year into a net surplus of Rs 2,023 crore during 2006-07. The surplus of Rs 3,264 crore in revenue account in 2006-07 along with an increase of Rs 258 crore under non-debt capital receipts accompanied with an increase of Rs 1,480 crore in capital expenditure and disbursement of loans and advances resulted in steep decline of Rs 2,042 crore in fiscal deficit during 2006-07 from Rs 2,654 crore in 2005-06.

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 analyzed 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 FR Acts/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)[2] 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)** as published by the Office of the Economic Adviser to the Government of Punjab have been used in estimating these percentages and buoyancy ratios.

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

Estimates	2002-03	2003-04	2004-05	2005-06	2006-07
Gross State Domestic Product (GSDP) (Rs in crore)	82648	89838	96592 (P)	104705 (Q)	114237 (A)
Rates of Growth GSDP *(per cent)*	3.71	8.70	7.52	8.40	9.10

Source: Office of the Economic Adviser to the Government of Punjab, Chandigarh
Note: Figures for 2004-05, 2005-06 and 2006-07 are provisional, quick and advance estimates respectively.

The key fiscal aggregates for the purpose are grouped under four major heads: (i) Trends and composition of aggregate receipts, (ii) Application of Resources, (iii) Assets and Liabilities, and (iv) Management of Deficits (***Appendix 1.3 to 1.6***). 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 Fiscal Responsibility and Budget Management (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 2009-10;

[2] GSDP is defined as the total income of the State or the market value of goods and services produced using labor 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 eighty *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 Fiscal Responsibility and Budget Management Act 2003 as amended in 2005, the State Government is required to lay the Medium Term Fiscal Policy statement *inter alia* setting three years ruling 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. However, as per the records made available by the State Government, a Medium Term Fiscal Policy Statement was laid in the legislature in March 2005 along with the budget for the year 2005-06. Thereafter no such statement was prepared by the State Government and laid before the Legislature.

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

The State Government has developed its Own Fiscal Correction Path (FCP) indicating the milestones of outcome indicators with target dates of implementation during the period from 2004-05 to 2009-10 **(Appendix 1.2).** The State Government is of the view that the fiscal correction path, which is annexed to Annual Financial Statement, also reflects the Medium Term Fiscal Targets to be achieved during the TFC award period (2005-06 to 2009-10).

The comparative position of selected fiscal indicators vis-à-vis the revised estimates of the State Government during 2006-07 are given in the table on the page that follows:

(Rupees in crore)

Sr. No.	Fiscal Indicators	Actual	Revised Estimates	Variation
1.	Revenue Deficit (-)/Surplus (+)	(+)2023	(-)2190.60	4213.60
2.	Gross Fiscal Deficit	(-)612	(-)5566.50	4954.50
3.	Salaries, pensions as percentage of revenue receipts (Lottery Net)	41.06	49.07	(-)8.01
4.	Interest as percentage of RR (Lottery Net)	22.57	26.89	(-)4.32
5.	Salaries, pensions and interest as percentage of RR (Lottery Net)	63.63	75.96	(-)12.33
6.	Revenue Deficit as percentage of Gross Fiscal Deficit	*	39.35	*
7.	Debt Stock	51035	47801.00	3234
8.	Debt as percentage of GSDP	44.67	41.13	3.54

*During 2006-07 there was a revenue surplus of Rs 2023 crore.

The comparative position presented in **Table 1.2** reveals that fiscal position of the State seems to have improved in terms key fiscal indicators. There was a revenue surplus of Rs 2,023 crore as against the deficit of Rs 2,191 crore projected as revised estimates for 2006-07 in the budget presented for the year 2007-08. Similarly the fiscal deficit was also significantly lower than the revised estimates of the State Government. In fact the waiver of special term loan (principal amount) of Rs 3,772 crore which is recorded as the credit entry under the non-tax receipts of the State Government has made the difference and the fiscal position of the State seemed to have improved during the current year. Moreover despite the waiver of special term loans, debt GSDP ratio at 45 *per cent* was higher than the revised estimates of the State Government.

1.2.1.3 Mid-Term Review of Fiscal Situation

In compliance to Section 6 (1) of FRBM Act, 2003 as amended, Minister in-charge of the Finance Department is required to review after every quarter the trends in receipts and expenditure in relation to the budget and place before the Legislative Assembly the outcome of such reviews. However, as per the information available with this office, no quarterly review was undertaken by the State Government.

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 1.4: Trends in Growth and Composition of Aggregate Receipts

(Rupees in crore)

Sources of State's Receipts	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
I Revenue Receipts	**8929**	**11071**	**12139**	**13807**	**16966**	**20567**
II Capital Receipts	**7553**	**6349**	**7442**	**6495**	**4715**	**4670**
Recovery of Loans and Advances	872	103	105	134	137	395
Public Debt Receipts	6681	6246	7337	6361	4578	4275
Miscellaneous Capital Receipts	-	-	-	-	-	-
III Contingency Fund	-	-	-	-	-	-
IV Public Account Receipts	**14171**	**11972**	**10111**	**12846**	**15648**	**18357**
a. Small Savings, Provident Fund *etc*	1206	1364	1309	1429	1483	1512
b. Reserve Fund	239	29	223	448	218	319
c. Deposits and Advances	2169	1243	913	1206	1462	2086
d. Suspense and Miscellaneous	9597	8491	7137	9023	11462	13173
e. Remittances	960	845	529	740	1023	1267
Total Receipts	**30653**	**29392**	**29692**	**33148**	**37329**	**43594**

Table–1.4 shows that the total receipts of the State Government for the year 2006-07 were Rs 43,594 crore. Of these, the revenue receipts were Rs 20,567 crore, constituting 47 *per cent* of total receipts. The balance came from capital receipts, borrowings and receipts from Public Account ***(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 its 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-1.5.**

Table-1.5: Revenue Receipts - Basic Parameters

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Receipts (RR)	**8929**	**11071**	**12139**	**13807**	**16966**	**20567**
Own Taxes (*per cent*)	4820(54)	5711(52)	6146(51)	6944(50)	8989(53)	9017(44)
Non-Tax Revenue (*per cent*)	2960(33)	4036(36)	4666(38)	5358(39)	4536(27)	7744(38)
Central Tax Transfers (*per cent*)	611(7)	649(6)	754(6)	903(7)	1228(7)	1566(7)
Grants-in-aid (*per cent*)	538(6)	675(6)	573(5)	602(4)	2213(13)	2240(11)
Rate of growth of RR (*per cent*)	(-)4.78	23.99	9.65	13.74	22.88	21.22
RR/GSDP (*per cent*)	11.20	13.40	13.51	14.29	16.20	18.00
Buoyancy Ratios[3]						
Revenue Buoyancy w.r.t GSDP	(-)0.72	6.46	1.11	1.82	2.72	2.33
State's own taxes Buoyancy w.r.t GSDP	9.61	4.98	0.88	1.73	3.51	0.03
Revenue Buoyancy with reference to State's own taxes	(-) 0.07	1.30	1.26	1.05	0.77	68.45
GSDP Growth (*per cent*)	6.68	3.71	8.70	7.52	8.40	9.10

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 2.33 during 2006-07 implies that revenue receipts tend to increase by 2.33 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 50-54 till 2005-06 which dipped to 44 *per cent* in the current year mainly on account of relatively significant increase in the share of non-tax revenue from 27 *per cent* in 2005-06 to 38 *per cent* during the current year. The increase of Rs 3601 crore in revenue receipts in 2006-07 over the previous year was mainly on account of a sharp increase of Rs 3,208 crore (71 *per cent)* in non-tax revenue which was mainly the net result of two major notional credit entries of Rs 3,772 crore (principal amount) on account of waiver of special term loans granted by GOI and debt relief of Rs 131 crore received by the State as an incentive under DCRF and a fall in receipts from State lotteries (Rs 1,029 crore) and receipts from Dividends and Profits (Rs 100.01 crore).

1.3.3 Tax Revenue

The tax revenue has increased only marginally by Rs 28 crore (0.31 *per cent*) during 2006-07 over the previous year. The revenue from sales taxes although contributed little more than half of tax revenue (54 *per cent*) but has shown an increase of only Rs 202 crore (four *per cent)* over the previous year. In fact, sales tax, state excise and stamps and registration fee together accounted for around 89 *per cent* in total tax revenue of the State but the net increase in these three taxes and duties were only Rs 135 crore in 2006-07 over the previous year. Even this increase was almost counterbalanced by a fall of Rs 142 crore in receipts from taxes on duties on electricity during 2006-07. The value added tax (VAT) introduced in April 2005 although enhanced the buoyancy of sales tax revenue in 2005-06 but it indicated only a marginal increase during 2006-07 over the buoyant level of 2005-06. **Table 1.6** below shows the trends in the composition of tax revenue of the State during 2002-07.

Table1.6: Tax Revenue

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Land Revenue	8.58	8.77	13.24	13.72	16.29	15.27
Stamps and Registration	444.31	558.94	729.07	965.89	1670.50	1803.94
State Excise	1350.06	1428.91	1462.79	1486.61	1568.16	1367.78
Sales Tax	2684.33	3072.44	3307.94	3816.38	4626.88	4829.02
Taxes on Vehicles	318.44	443.88	388.79	403.93	431.19	468.05
Taxes and Duties on Electricity	2.80	187.64	234.91	251.65	669.41	527.58
Other Taxes and Duties on Commodities and Services	11.70	10.43	9.19	6.43	6.85	5.52
Total	**4820.22**	**5711.01**	**6145.93**	**6944.61**	**8989.28**	**9017.16**

1.3.4 Non-Tax Revenue

The Non-Tax Revenue which constituted 38 *per cent* of total revenue receipts increased by Rs 3,208 crore recording a growth rate of 71 *per cent* over previous year. The debt waiver (Rs 131.42 crore) given by Government of India under DCRF as also waiver of special term loans (Rs 3,772 crore) booked as notional credit entries under the head 'Miscellaneous General Services' led to a sharp increase in non-tax revenue of the State. Besides, marginal increases in receipts were also recorded under various social services (Rs 60 crore) and economic services (Rs 88 crore). The areas where substantial decreases were observed include receipts from dividends and profits (Rs 100.01 crore) and state lotteries (Rs 1,029.09 crore).

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

(Rupees in crore)

	Assessments made by TFC	Projections made by State Government in FCP	Actuals
	(1)	(2)	(3)
Tax Revenue	9379.78	9711	9017
Non-Tax Revenue	1901.73	1477*	5571*

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

The comparative position presented in Table above reveals that tax revenue remained significantly lower than both the projections made by the TFC as well as the by the State Government in its FCP indicates an ample scope of additional resource mobilization by the State Government through tax efforts. As regards the non-tax revenue, actual receipts were shown to be significantly higher as compared to the projections mainly on account of notional credit entries made under the head Miscellaneous General Services on account of debt waiver (Rs 131.42 crore) given by Government of India under DCRF as also waiver of special term loans (Rs 3,772 crore) during 2006-07.

1.3.5 Central Tax Transfers

The Central Tax transfers increased by Rs 338 crore over the previous year and constituted seven *per cent* of revenue receipts. The increase was mainly under corporation tax (Rs 149.75 crore); customs (Rs 66.07 crore) and service tax (Rs 59.68 crore).

1.3.6 Grants-in-aid

The Grants-in aid from Government of India (GOI) increased from Rs 2,213 crore in 2005-06 to Rs 2,240 crore in the current year. The increase was mainly under State plan schemes (Rs 87 crore) and Centrally Sponsored Schemes (Rs 139 crore) partly offset by decrease in Non-Plan Grants (Rs 216 crore).The decrease under non-plan grants was mainly under other grants which stand reduced by Rs 379 crore from Rs 1,630.54 crore (2005-06) to Rs 1,251.19 crore (2006-07). Details of grants-in-aid from GOI are given in **Table 1.7.**

Table 1.7: Grants-in-aid from GOI

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Grants for State plan schemes	183.00	238.86	245.13	202.31	310.22	397.36
Non-Plan grants	159.02	306.35	134.32	186.14	1703.42	1487.85
Grants for Central Plan Schemes	2.53	4.42	2.78	7.34	5.45	20.78
Grants for Centrally Sponsored Plan Schemes	192.89	125.97	190.86	206.68	194.23	333.66
Total	**537.44**	**675.60**	**573.09**	**602.47**	**2213.32**	**2239.65**

1.3.7 Revenue Arrears

The arrears of revenue as on 31 March 2007 stood at Rs 1,916.64 crore in respect of some principal heads of revenue of which Rs 1,052.28 crore were outstanding for more than five years. The arrears pertained mainly to sales tax (Rs 1,547.84 crore), Irrigation (Rs 135.87 crore) Taxes & Duties on Electricity (Rs 82.28 crore), Taxes on Vehicles (Rs 67.72 crore) and Interest Receipts (Rs 69.32 crore). There was a decrease of 30 *per cent* over the previous year. Out of total arrears of Rs 1,916.63 crore, an amount of Rs 848.71 crore (44 *per cent*) was pending on account of cases pending in courts, while recovery of Rs 638.62 crore (33 *per cent*) were under different stages of action. The other reasons advanced for these arrears and amount involved included insolvency (Rs 1.22 crore) paucity of funds (Rs 69.32 crore in respect of two State owned corporations) likely to be written off (Rs 19.51 crore) and being recovered in installments (Rs 13.13 crore).

The revenue arrears during 2006-07 were however Rs 812 crore (37 *per cent)* less than the arrears of Rs 2,728 crore pending as on 31 March 2006. The noticeable improvement was recovery in sales tax arrears (Rs 928 crore) while major increase in the arrears was observed under Irrigation (Rs 85 crore).

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 14,760 crore in 2001-02 to Rs 21,574 crore in 2006-07. 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-1.8.**

Table-1.8: Total Expenditure – Basic Parameters

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Total expenditure (TE)*	14760	15584	17124	18056	19757	21574
Rate of Growth (*per cent*)	10.08	5.58	9.88	5.44	9.42	9.20
TE/GSDP Ratio (*per cent*)	18.52	18.86	19.06	18.69	18.87	18.89
RR /TE Ratio (*per cent*)	60.49	71.04	70.89	76.47	85.87	95.33
Buoyancy of Total Expenditure with reference to :						
GSDP (ratio)	1.51	1.50	1.14	0.72	1.12	1.01
RR (ratio)	(-)2.11	0.23	1.02	0.40	0.41	0.43

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

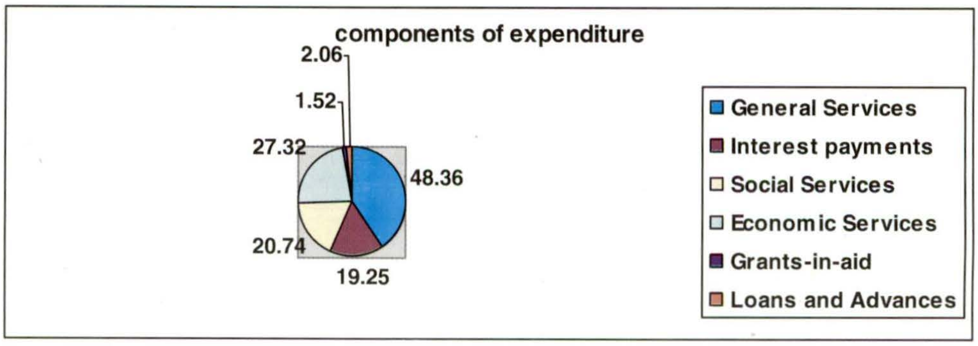
The total expenditure during the current year at Rs 21,574 crore has increased by only Rs 1,817 crore (9.20 *per cent*) over the previous year. Of the total increase, revenue expenditure contributed Rs 337 crore (18 *per cent*), capital expenditure shared Rs 1,069 crore (59 *per cent*) and remaining Rs 411 crore (23 *per cent*) by loans and advances. The bifurcation of total expenditure into plan and non-plan expenditure revealed that while the share of plan and non-plan expenditure was 15 *per cent* and 85 *per cent* respectively. The increase in total expenditure was mainly driven by increase in capital expenditure under 'other general economic services' as well as in disbursement of loans and advances mainly to power projects (Rs 300 crore). Under the 'Other General Economic Services', steep increase of Rs 859 crore in plan capital expenditure was observed under the major head 5475 'Capital out lay 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'.

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-1.9.**

Table-1.9: Components of Expenditure – Relative Share

(in per cent)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
General Services	51.41	58.35	54.72	54.84	53.68	48.36
Of which Interest payments	21.53	22.03	21.68	22.05	18.80	19.25
Social Services	21.44	20.82	19.70	20.09	19.98	20.74
Economic Services	18.79	17.24	20.91	24.13	24.28	27.32
Grants-in-aid	1.13	1.42	0.26	0.41	1.89	1.52
Loans and Advances	7.22	2.18	4.42	0.54	0.17	2.06



The movement of relative share of the various components of expenditure indicated that while share of General Services including interest payment has declined during 2006-07 over the previous year but it still continued to share the dominant portion in the total expenditure. The increase in share of economic services was mainly on account of sharp increase in plan capital expenditure under head 'other general economic services'. 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 2002-06 except 2003-04 and increased steeply during the current year mainly on account of enhanced loans and advances to the power projects.

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 2002-07. 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-1.10.**

Table-1 10: Revenue Expenditure: Basic Parameters

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Expenditure (RE), of which	12710	14825	15702	17198	18207	18544
Non-Plan Revenue Expenditure (NPRE)	11845 (93)	14117 (95)	15087 (96)	16732 (97)	17246 (95)	17563 (95)
Plan Revenue Expenditure (PRE)	865	708	615	466	961	981
Rate of Growth (*per cent*)						
Revenue Expenditure	8.51	16.64	5.92	9.53	5.87	1.85
Non-Plan Revenue Expenditure	8.83	19.18	6.87	10.90	3.07	1.84
Plan Revenue Expenditure	4.34	(-)18.15	(-)13.14	(-)24.23	106.22	2.08
RE/TE (*per cent*)	86.11	95.13	91.70	95.25	92.15	85.96
NPRE/GSDP (*per cent*)	14.86	17.08	16.79	17.32	16.47	15.37
NPRE as *per cent* of TE	80.25	90.59	88.10	92.67	87.29	81.41
NPRE as *per cent* of RR	132.66	127.51	124.29	121.18	101.65	85.39
Buoyancy of Revenue Expenditure with						
GSDP (ratio)	1.27	4.49	0.68	1.27	0.70	0.20
Revenue Receipts (ratio)	(-)1.78	0.69	0.61	0.69	0.26	0.09

The revenue expenditure increased by 46 *per cent* from Rs 12,710 crore in 2001-02 to Rs 18,544 crore in 2006-07 but the increase in the current year (Rs 337 crore) was only marginal (2 *per cent*). The NPRE has shown a consistent increase at an average rate of 8 *per cent* over the period and continued to share the dominant portion varying in the narrow range of 93-97 *per cent* of the revenue expenditure. During the current year a marginal increase of Rs 317 crore in NPRE as against the average annual increase of more than Rs 1,300 crore during the previous four years (2002-06) was mainly on account of a steep fall in the non-plan revenue expenditure under Miscellaneous General Services (State Lotteries–Rs 1,052 crore) and Medium Irrigation (Rs 421 crore) during 2006-07 over the previous year. The Non-plan revenue expenditure at Rs 17,563 crore in 2006-07 was significantly higher than the normative assessment made by TFC (Rs 13,564 crore) and the projections made by the State Government in its own FCP (Rs 15,398 crore).

The plan revenue expenditure which was increased by more than 100 *per cent* during 2005-06 over the year 2004-05 has shown only a marginal increase of Rs 20 crore (two *per cent*) during 2006-07 over the previous year. Of the total plan revenue expenditure of Rs 981 crore in 2006-07, Rs 527 crore is booked under the minor head 'Planning Commission/Planning Board' (Major head '3451- Secretariat – Economic services') and Rs 105 crore under the minor head 'other expenditure' of Industries (Major head '2852 – Industries).

Though the ratio of revenue expenditure to revenue receipts declined consistently during 2001-07 as revenue receipts increased at an annual average rate of 14 *per cent* as against eight *per cent* in revenue expenditure. The steep decline in buoyancy ratios of revenue expenditure with reference to GSDP and revenue receipts has been on account of a marginal increase in revenue expenditure (two *per cent*) in 2006-07 over the previous year.

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-1.11.**

Table-1.11: Expenditure on Salaries

(Rupees in crore)

Heads	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Expenditure on Salaries Of which	**4624**	**4912**	**4825**	**5193**	**5320**	**5647**
Non-Plan Head					5153	5470
Plan Head					167	177
As *per cent* of GSDP	5.80	5.94	5.37	5.38	5.08	4.94
As *per cent* of RR	51.79	44.37	39.75	37.61	31.36	27.46

The expenditure on salaries in **Table 1.11** indicated an increasing trend while both as percentage of GSDP and revenue receipts declining tendency is observed over the period 2001-07. Actual salary expenditure at Rs 5,647 crore in 2006-07 was however less than the revised estimates of the State Government (Rs 5,920 crore). The total salary bill relative to revenue expenditure net of interest payments and pension was 45 *per cent* exceeding the norm of 35 *per cent* envisaged by the TFC.

1.4.3.2 Pension Payments

The payment of pensions, its annual growth rate and ratio with GSDP, Revenue Receipts and Revenue Expenditure for the period 2001-07 are indicated in **Table 1.12.**

Table 1.12: Expenditure on Pensions

(Rupees in crore)

Heads	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Expenditure on Pensions	1035	1356	1389	1514	1656	1905
Rate of growth	(-)7.34	31.01	2.43	8.99	9.38	15.04
As per cent of GSDP	1.30	1.64	1.55	1.57	1.58	1.67
As per cent of RR	11.59	12.25	11.44	10.97	9.76	9.26
As per cent of RE	8.14	9.15	8.85	8.80	9.10	10.27

The Pension payments during current year have increased by Rs 249 crore recording a growth rate of 15 *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 197967 (2005-06) to 213072 (2006-07). The comparative analysis of actual pension payments and the assessment/projections made by TFC and the State Government **(Table 1.13)** reveals that actual pension payments exceeded the projections made by both the TFC and the State Government.

Table 1.13: 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 2007-08	
(1)	(2)	(3)	(4)
1680	1695	1784	1905

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 1.14: Interest Payments

(Rupees in crore)

Year	Total Revenue Receipts	Total Revenue Expenditure	Interest payments	*Per cent* age of interest payment with reference to	
				Revenue Receipts	Revenue Expenditure
2001-02	8929	12710	3178	36	25
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

The interest payments increased by 12 *per cent* from Rs 3,715 crore in 2005-06 to Rs 4,152 crore in 2006-07. An increase of Rs 437 crore in interest payments in 2006-07 was mainly due to payment of interest on special securities issued to National Small Savings Fund of the Central Government by State Government. It was observed that interest payments as a percentage of revenue receipts had progressively decreased from 36 *per cent* in 2001-02 to 20 *per cent* in 2006-07. However, it is still beyond the medium term target of 15 *per cent* of Revenue Receipts by 2009-10 envisaged by TFC. However, interest payments at Rs 4,152 crore during 2006-07 were within the projections by the State in its FCP (Rs 4,326 crore) and its revised estimate (Rs 4,288 crore) for the year 2006-07.

1.4.3.4 Subsidies

Though the subsidies are a drain on State finances, the Government is extending subsidies under various heads and in a big way under the Power and Energy Sector. The trends in the subsidies given by the State Government are given in **Table 1.15.**

Table 1.15: Subsidies

(Rupees in crore)

S.No.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
1.	Welfare of SC, ST and OBC	10.27	8.70	12.08	16.09	18.30
2.	Agriculture and Allied Activities	6.80	0.71	0.63	6.48	6.01
3.	Power and Energy	750.00	1349.19	2170.13	1550.93	1423.80
4.	Industry and Minerals	(-)0.15		0.01	0.30	105.00
	Total	**766.92**	**1358.60**	**2182.85**	**1573.80**	**1553.11**
	Per cent increase (+)/decrease (-)		77.15	60.67	(-)27.90	(-)1.31
	Per cent in total expenditure	4.92	7.93	12.09	7.97	7.20

Trends in **Table 1.15** indicate a steep fall of Rs 609 crore in expenditure on subsidies in 2005-06 from the level of Rs 2,183 crore in 2004-05 mainly due to decline in subsidies to power. A marginal fall of Rs 21 crore is observed in the current year from the level of Rs 1,574 crore in 2005-06 mainly due to the fact that a decline of Rs 127 crore in power subsidy is counterbalanced by an increase of Rs 105 crore to industries. The actual expenditure on subsidy to Power and Energy Sector was less than the projection of Rs 1,570 crore in State's own FCP, however, the general subsidy (subsidies other than Power and Energy Sector) at Rs 129 crore is much more than the projection of around Rs 11 crore by the State in its FCP. Moreover, the composition of general subsidies in **Table 1.15** reveal that it does not seem to be inclusive of the food subsidy of Rs 24.29 crore as recommended by the TFC for the year 2006-07.

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 1.16** gives these ratios during 2001-07.

Table 1.16: Indicators of Quality of Expenditure

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Capital Expenditure	984.32	420.40	664.69	761.40	1516.89	2586.18
Revenue Expenditure	12709.81	14825.12	15701.92	17198.03	18206.73	18543.78
Of which Social and Economic Services with	4976	5531.59	6307.09		7316.46	7876.60
(i) Salary Component		2990.96	3280.20	3461.10	3655.38	3826.83
(ii) Non-Salary component		2540.63	3026.89	3812.37	3661.08	4049.77
As *per cent* of total expenditure (excluding loans and advances)						
Capital expenditure	7.19	2.76	4.06	4.24	7.69	12.24
Revenue expenditure	92.81	97.24	95.94	95.76	92.31	87.76
As *per cent* of GSDP						
Capital expenditure	1.24	0.51	0.74	0.79	1.45	2.26
Revenue expenditure	15.95	17.94	17.48	17.80	17.39	16.23

The trends in **Table 1.16** reveal that the capital expenditure exhibited wide fluctuations during 2001-05 but it increased steeply in 2005-06 and 2006-07. During 2006-07, the capital expenditure increased by 70 *per cent* from Rs 1,516.89 crore (2005-06) to Rs 2,586.18 crore (2006-07) while the revenue expenditure increased by 1.85 *per cent* only from Rs 18,206.73 crore (2005-06) to Rs 18,543.78 crore (2006-07). An increment in capital expenditure is observed during the last two years and non-salary component of revenue expenditure is also increasing.

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 1.17** summaries the expenditure incurred by the State Government in expanding and strengthening of social services in the State during 2001-07.

Table 1.17: Expenditure on Social Services

(Rupees in Crore)

	2002-03	2003-04	2004.-05	2005-06	2006-07
Education, Sports, Art and Culture	**2092.76**	**2080.81**	**2129.38**	**2307.76**	**2335.97**
Revenue Expenditure	2091.84	2080.38	2113.24	2289.09	2318.26
Of which					
(a) Salary Component	1648.33	1719.56	1794.67	1859.00	1948.76
(b) Non-Salary component	443.51	360.82	318.57	430.09	369.50
Capital Expenditure	0.92	0.43	16.14	18.67	17.71
Health and Family welfare	**610.47**	**610.05**	**609.39**	**698.81**	**698.66**
Revenue Expenditure	610.34	608.45	603.79	695.85	689.02
Of which					
(a) Salary Component	494.85	506.69	542.10	595.31	612.03
(b) Non-Salary component	115.49	101.76	61.69	100.54	76.99
Capital Expenditure	0.13	1.60	5.60	2.96	9.64
Water Supply, Sanitation, Housing and Urban Development	**260.30**	**275.78**	**359.38**	**524.40**	**683.58**
Revenue Expenditure	241.00	275.45	289.23	207.26	346.32
Of which					
(a) Salary Component	65.83	75.16	88.21	95.00	123.42
(b) Non-Salary component	175.17	200.29	201.02	112.26	222.90
Capital Expenditure	19.30	0.33	70.15	317.14	337.26
Other Social Services	**280.53**	**405.45**	**529.52**	**415.42**	**756.03**
Revenue Expenditure	278.46	403.41	529.53	410.20	750.12
Of which					
(a) Salary Component	119.19	127.11	131.64	142.33	151.51
(b) Non-Salary component	159.27	276.30	397.89	267.87	598.61
Capital Expenditure	2.07	2.04	(-) 0.01	5.22	5.91
Total (Social Services)	**3244.06**	**3372.09**	**3627.67**	**3946.39**	**4474.24**
Revenue Expenditure	3221.64	3367.69	3535.79	3602.40	4103.72
Of which					
(a) Salary Component	2328.20	2428.52	2556.62	2691.64	2835.72
(b) Non-Salary component	893.44	939.17	979.17	910.76	1268.00
Capital Expenditure	22.42	4.40	91.88	343.99	370.52

The expenditure on social sector increased from Rs 3,222 crore in 2002-03 to Rs 4104 crore in 2006-07 indicating the Government's commitment to improve social well being of the society. Expenditure on Social Sector during current year (Rs 4,104 crore) accounted for 19 *per cent* of total expenditure and 52 *per cent* of developmental expenditure[4]. Expenditure on Water Supply and Sanitation increased by Rs 139 crore over previous year mainly due to more expenditure under 'Direction and Administration' and in Other Social Services, the increase of Rs 340 crore is mainly due to increased expenditure under Social Security and Welfare while the expenditure on Health and Family Welfare has shown a decrease of Rs seven crore over previous year. 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. However, trends in expenditure (taking expenditure under both plan and non-plan heads) reveal that the salary and wage component under education sector increased by five *per cent* over 2005-06 while non-salary and wage component decreased by 14 *per cent.* Similarly under Health and Family Welfare sector, the salary and wage component increased by three *per cent* while Non-salary and wage component decreased by 23 *per cent.* The non-salary expenditure pattern both in education and health services has not been as per the norms of the TFC which needs correction in the ensuing years.

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 3,773-crore) accounted for 17 *per cent* of the total expenditure and 48 *per cent* of Developmental expenditure **(Table 1.18).** Power and Energy consumed 38 *per cent* of Economic Services Expenditure.

4 Development expenditure is defined as the total expenditure made on social and economic services.

Table 1 18: Expenditure on Economic Sector

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07
Agriculture, Allied Activities	**(-)32.93**	**468.10**	**492.54**	**497.79**	**508.78**
Revenue Expenditure	430.26	433.72	471.68	487.32	473.72
Of which					
(a) Salary Component	247.49	255.67	270.54	290.62	298.80
(b) Non-Salary component	182.77	178.05	201.14	196.70	174.92
Capital Expenditure	(-)463.19	34.38	20.86	10.47	35.06
Irrigation and Flood Control	**708.80**	**572.76**	**676.21**	**898.58**	**877.90**
Revenue Expenditure	359.30	491.12	470.88	594.16	519.43
Of which					
(a) Salary Component	202.77	364.34	392.45	427.94	424.11
(b) Non-Salary component	156.53	126.78	78.43	166.22	95.32
Capital Expenditure	349.50	81.64	205.33	304.42	358.47
Power and Energy	**933.44**	**1712.39**	**2245.32**	**1596.59**	**1447.47**
Revenue Expenditure	752.48	1351.66	2172.94	1551.31	1427.47
Of which					
(a) Salary Component	0.96	0.41	0.43	0.35	0.35
(b) Non-Salary component	751.52	1351.25	2172.51	1550.96	1427.12
Capital Expenditure	180.96	360.73	72.38	45.28	20.00
Transport	**635.32**	**469.41**	**576.13**	**725.23**	**967.76**
Revenue Expenditure	481.99	358.39	443.21	350.78	551.60
Of which					
(a) Salary Component	126.27	121.01	122.86	123.97	129.64
(b) Non-Salary component	355.72	237.38	320.35	226.81	421.96
Capital Expenditure	153.33	111.02	132.92	374.45	416.16
Other Economic Services	**442.72**	**358.87**	**366.22**	**1078.57**	**2092.81**
Revenue Expenditure	285.92	304.51	178.97	730.49	800.66
Of which					
(a) Salary Component	85.27	110.25	118.20	120.86	138.21
(b) Non-Salary component	200.65	194.26	60.77	609.63	662.45
Capital Expenditure	156.80	54.36	187.25	348.08	1292.15
Total (Economic Services)	**2687.35**	**3581.53**	**4356.42**	**4796.76**	**5894.72**
Revenue Expenditure	2309.95	2939.40	3737.68	3714.06	3772.88
Of which					
(a) Salary Component	662.76	851.68	904.48	963.74	991.11
(b) Non-Salary component	1647.19	2087.72	2833.20	2750.32	2781.77
Capital Expenditure	377.40	642.13	618.74	1082.70	2121.84

The expenditure on Economic Services has consistently increased at an annual average growth rate of 24 *per cent* from Rs 2,687 crore in 2002-03 to Rs 5,894 crore in 2006-07. Of the total increase of Rs 3,208 crore, the major share was incurred under the head 'Other General Economic Services' (Rs 1,650 crore) followed by Power and Energy (Rs 514 crore) and Transport (Rs 333 crore) Services. The expenditure on agriculture and allied activities and irrigation and flood control remains either almost stable or marginally declined during 2006-07 over the previous year.

The capital expenditure has almost doubled during 2006-07 (Rs 2,122 crore) over the previous year (Rs 1,083 crore) mainly on account of a sharp increase of Rs 829 crore in plan capital expenditure under the major head 5475 'Capital out lay 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 incurred on Economic Services - both under salary and non-salary components - remained almost stagnant during the last three years period (2004-07) implying the fact that increase in expenditure on economic services was mainly on account of enhancement in expenditure under the heads 'capital outlays'.

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 2002-07 is presented in **Table 1.19**

Table-1.19: Financial Assistance

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	234.01	193.88	245.81	230.33	195.88
Municipal Corporations and Municipalities	16.84	-	-	73.77	69.99
Zilla Parishads and Other Panchayati Raj Institutions	-	-	-	-	162.15
Development Agencies	0.51	0.80	-	-	102.93
Hospital and Other Charitable Institutions	-	-	-	-	62.91
Other Institutions	111.50	21.27	106.18	91.14	0.01
Total	**362.86**	**215.95**	**351.99**	**395.24**	**593.87**
Assistance as per *per centage* of RE	2	1	2	2	3

The grants extended to Local Bodies and Other Institutions with inter year variations increased by 50 *per cent* to Rs 594 crore during the current year over Rs 395 crore in the previous year. Assistance to educational institutions reduced from Rs 230.33 crore to Rs 195.88 crore. As per the statement made by the Finance Minister in his budget speech for the year 2006-07, the Third State Finance Commission in its interim report recommended for transfer of funds to the tune of Rs 496 crore to the Panchayati Raj Institutions and Urban Local Bodies during 2006-07. These funds will be over and above the grants of Rs 99 crore recommended by the TFC. It was further stated that the recommendations of Third State Finance Commission will be accepted by the Government and therefore a total sum of Rs 595 crore were to flow to the Rural and Urban Local Bodies in 2006-07. However, as per the information dovetailed from finance accounts, actual assistance of Rs 232 crore only was provided to these bodies during the year.

1.5.5 Delay in furnishing utilization certificates

Against the grants of Rs 593.87 crore released during 2006-07, 233 utilization certificates for Rs 433.04 crore were awaited. In addition 371 utilization certificates were awaited for an amount of Rs 288.44 crore in respect of grants released up to 2005-06 which included 276 utilization certificate Rs 17.15 crore up to 2000-01. Details of department wise breakup of outstanding utilization 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 2007, departments of the Government have not furnished details for the year as shown in **Appendix1.8.**

1.5.7 Abstract of performance of the autonomous bodies

The audit of accounts of bodies in the State has been entrusted to the Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature is indicated in **Appendix 1.9.**

1.5.8 Write off of losses, etc

As reported to Audit, losses due to theft, fire and irrecoverable revenue, *etc* amounting to Rs 0.81 crore in 89 cases were written-off during 2006-07 by competent authorities. The relevant details are given in **Appendix 1.10.**

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 1.3*** gives an abstract of such liabilities and the assets as on 31 March 2007, compared with the corresponding position on 31 March 2006. 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 1,673 crore (7.53 *per cent*) and liabilities reduced by Rs 370 crore (0.72 *per cent*) over previous year reversing the trend of growth in liabilities over assets in earlier years.

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 377.22 crore at the end of March 2007, which showed that revenue realized from these projects during 2006-07 (Rs 2.72 crore) was only 0.72 *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 134.84 crore) and interest charges (Rs 20.30 crore) The schemes, however, suffered a net loss of Rs 152.42 crore.

1.6.1.2 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2007 is given in the **Table 1.20.**

Table 1.20: Department-wise Profile of Incomplete Projects

(Rupees in crore)

Department	Number of Incomplete Projects	Initial Budgeted Cost	Revised Total Cost of Projects#	Cost Over Runs	Cum. Actual Exp as on 31.3.2007
Irrigation	6	1758	2917	1159	1298
B&R	5	201	8.81	-	52

 # In three out of six Irrigation projects and in four out of five B&R projects revised costs are not available.

In three projects of Irrigation where the costs have been revised, the revision resulted in increase from Rs 176 crore to Rs 601 crore, Rs 1,324 crore to Rs 1,945 crore and Rs 180 crore to Rs 371.23 crore while an expenditure of Rs 738 crore, Rs 175.10 crore and Rs 329.95 crore had already been incurred and the projects were lying incomplete. In SYL Canal project the work stands still due to water dispute with Haryana State. The expenditure on this project (Rs 738 crore) has already exceeded even the revised cost (Rs 601 crore). In other two works the work has been delayed due to non-availability of funds and delay in granting administrative approval by the Punjab Government. In case of one B&R project where the cost revision took place, the cost was revised from Rs 3.95 crore to Rs 8.81 crore but no specific reason for delay on completion of the project is given by the concerned department.

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 annually Proforma Accounts in prescribed format showing the results of financial operations so that Government can assess the results of their working. The department-wise position of arrears in preparation of *pro forma* accounts is given in ***Appendix 1.11***.

1.6.1.4. Investments and returns

As of 31 March 2007, Government had invested Rs 3,762 crore in Statutory Corporations (Rs 3,143.95 crore), Government Companies (Rs 397.23 crore), Rural Banks, Joint Stock Companies (Rs 1.39 crore) and Co-operatives (Rs 219.17 crore) **(Table 1.21)**. The return on this investment was 0.02 *per cent* to 0.08 *per cent* during 2001-07 while the Government paid interest at the average rate of 7.52 *per cent* to 10.11 *per cent* on its borrowings during 2001-2007.

Table-1.21: Return on Investments

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Investments	2346.28	2352.28	2359.00	3544.81	3718.60	3761.74
Return	1.09	0.91	1.82	0.59	1.07	1.96
Per cent of Return	0.05	0.04	0.08	0.02	0.03	0.05
Average interest rate*	10.11	9.51	9.11	8.79	7.52	8.11
Difference in *per cent*	10.06	9.47	9.03	8.77	7.49	8.06

Within the group of statutory corporations/boards, the bulk of the investment is made by the State Government in Punjab State Electricity Board (Rs 2,966 crore), PRTC (Rs 87 crore), Punjab Financial Corporation (Rs 29 crore) and Punjab Scheduled Castes Land Development and Finance Corporation (Rs 37 crore). Out of these four major Statutory Corporations involving 99 *per cent* of State Government's investment in corporations, first three corporations are incurring losses and their accumulated loss amounted to Rs 4,923 crore (up to the year 2005-06 for which their accounts are finalized) of which losses amounting to Rs 4,354 crore were incurred by the PSEB alone. The Punjab Scheduled Castes Land Development and Finance Corporation has however earned the profit of Rs 18 crore up to 2004-05 for which their accounts are finalized. The investment of Rs 397 crore of State Government was made in 23 Government Companies, of which only three companies declared dividend aggregating to Rs 1.75 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 many of these institutions/organizations. Total outstanding loans and advances as on 31 March 2007 were Rs 5,533 crore **(Table 1.22)**. Interest received against these loans advanced was 9.55 *per cent* during 2006-07 as against 9.14 *per cent* in previous year.

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

Table-1.22: Average Interest Received on Loans Advanced by the State Government

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Opening Balance	4970	5150	5386	5718	5681	5464
Proforma Adjustment	(-)14	-	-	-	(-) 114	20
Amount advanced during the year	1066	339	757	97	34	444
Amount repaid during the year	872	103	105	134	137	395
Closing Balance	5150	5386	6038	5681	5464	5533
Net addition	194	236	652	(-)37	(-)103	49
Interest Received	459	817	1368	1863	504	526
Interest received as *per cent* to outstanding Loans and advances	9.06	15.51	23.95	32.69	9.14	9.55
Average interest rate (in *per cent*)	10.11	9.51	9.11	8.79	7.52	8.11
Difference between interest paid and received (*per cent*)	(-)1.05	(+) 6.00	(+)14.84	(+)23.90	(+) 1.62	(+)1.44

Loans and Advances declined from Rs 6,038 crore (2003-04) to Rs 5,533 crore (2006-07). Sector wise breakup of Loans and Advances was Rs 7.76 crore in Social Sector while Rs 419.35 crore were advanced in Economic Sector and Rs 17.05 crore were given to Government Servants. Out of total Rs 444.16 crore loans disbursed, Rs 300 crore were given to Punjab State Electricity Board, Rs 87.50 crore to Punjab Mandi Board, Rs 30.10 crore to Cooperative Sugar Mills and Rs 7.76 crore to Punjab State Housing Board (now PUDA).

The Administrative Departments are required to intimate to the Accountant General (A&E) by the 10 of August every year, the arrears in recovery of principal and interest for the loans, the detailed accounts of which are maintained by the departmental officers. Against 151 statements relating to 2006-07 due from 20 departmental officers, none had been received so far (June 2007). Against loans to municipal corporations and municipalities, etc., the detailed accounts of which are maintained by the Accountant General (A&E), recovery of Rs 138.79 crore (including Rs 110.38 crore as interest) was over due at the end of 2006-07 as follows:

(Rupees in crore)

Borrower/Purpose of loans		Earliest year from which in default	Amount overdue on 31 March 2007	
			Principal	**Interest**
A	**Municipal Corporations, Municipalities and other Local Funds**			
a	Sanitation Schemes	1967-68	1.61	2.06
b	Sewerage Schemes	1963-64	1.10	3.86
c	Water Supply Schemes	1964-65	6.33	11.02
d	Integrated City development Programmes	1967-68	4.00	17.85
e	Shopping Centres, Cinemas etc.	1969-70	0.09	0.18
f	Preparation and distribution of town compost	1965-66	0.15	0.08
g	Other purposes	1963-64	15.08	75.31
B	Loans to Rulers of Erstwhile States	1965-66	0.05	0.02
	Total		**28.41**	**110.38**

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 did not have to resort to WMA during the current year.

The State Government's cash balances at the end of the current year amounted to Rs 559 crore. The major portion of which (Rs 456.86 crore) is invested in Treasury Bills and Securities (Rs 101.98 crore) of the Government of India and earned an interest of Rs 30.83 crore during the year.

Ways and Means Advances and Overdrafts availed, the number of occasions it was availed and interest paid by the State during 2001-06 is detailed in **Table 1.23.** However, the State did not avail Ways and Means Advances or Overdraft during 2006-07.

Table 1.23: Ways and Means and overdrafts of the State and interest paid thereon

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Ways and Means Advances						
Availed in the Year	1976.61	3127.90	2773.84	3065.82	269.17	-
Number of Occasions	75	87	81	90	18	-
Outstanding WMAs, if any	221.42	185.79	261.83	283.90	-	-
Interest Paid	8.73	9.45	12.29	9.69	2.99	-
Number of Days	139	189	158	156	22	-
Overdraft						
Availed in the year	3826.70	640.74	1811.06	1316.70	-	-
Number of Occasions	69	34	69	56	-	-
Number of Days	119	53	134	117	-	-
Interest Paid	4.50	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 Funds 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-1.24 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-1.24: Fiscal Liabilities – Basic Parameters

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Fiscal Liabilities[5]	33921	38315	43197	47403	51364	51035
Rate of Growth *(per cent)*	17.14	12.95	12.74	9.74	8.36	(-) 0.64
Ratio of Fiscal Liabilities to						
GSDP *(per cent)*	42.57	46.36	48.08	49.08	49.06	44.67
Revenue Receipts *(per cent)*	379.90	346.08	355.85	343.33	302.75	248.14
Own Resources *(per cent)*	436.00	393.1	399.53	385.30	379.77	304.47
Buoyancy of Fiscal Liabilities to						
GSDP (ratio)	2.57	3.49	1.46	1.30	0.99	(-)0.07
Revenue Receipts (ratio)	(-)3.59	0.54	1.32	0.71	0.37	(-)0.03
Own Resources (ratio)	(-)26.85	0.51	1.17	0.71	0.84	(-)0.03

Overall fiscal liabilities of the State increased from Rs 33,921 crore in 2001-02 to Rs 51,035 crore in 2006-07. Fiscal Liabilities of the State comprised Consolidated Fund liabilities and Public Account liabilities. The Consolidated Fund liability (Rs 40,367 crore) comprised of market loan (Rs 37,154 crore) and loan from Government of India (Rs 3,213 crore)). The Public Account liabilities (Rs 10,668 crore) comprise of Small Savings, Provident Fund (Rs 7,753 crore), interest bearing obligation (Rs 1699 crore) and non-interest obligation like deposits and other earmarked funds (Rs 1,216 crore). The fiscal liabilities of the State have actually declined although marginally by Rs 329 crore during 2006-07 over the previous year mainly on account of the waiver of special term loan of Rs 3,772 crore granted by Government of India during the year. The increasing trend in the ratio of fiscal liabilities to GSDP was arrested in 2006-07 due to waiver of special term loan, however the ratio at 45 *per cent* in 2006-07 seems to be on the higher side in view of the target of bringing it down to 28 *per cent* by 2009-10 as prescribed in the Punjab FRBM Act 2003 as amended in 2005. These liabilities stood at 2.48 times of revenue receipts and 3.04 times of the State's own resources as at the end of 2006-07. The buoyancy of these liabilities with respect to GSDP during the year was (-) 0.07.

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 (Amortization). The rate of contribution to

[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.

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.

(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.

The Finance Accounts revealed that no contribution was, however, made during 2006-07 and there were no balances in these two components of the sinking fund at the commencement and at the end of 2006-07. 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 liabilities contingent 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 2001-02 is given in **Table 1.25.**

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 2001-07 for repayment of loans etc. raised by statutory corporations/boards, local bodies, co-operative banks and societies and others as tabled below in **Table 1.25.**

Table-1.25: 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 (%)
		Principal	Interest	Total		
2001-02	10244	10244	340	10584	8929	115
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

The amount of outstanding guarantees (Rs 13,919 crore) as of March 2007 was 82 *per cent* of the revenue receipts of the previous year (2005-06) which was marginally above 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 upto 14-11-1983	0.50 *per cent* on the total amount of guarantee given by the government during the year
(ii) Guarantees given on or after 15-11-1983	In respect of first year 0.50 *per cent* for the period upto 31st 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 Government has not set up so far a Guarantee Redemption Fund (GRF) 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 transparently maintained 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 prior condition for debt sustainability is the debt stabilization in terms of debt/GSDP ratio.

1.8.1 Debt Stabilization

A necessary condition for stability states 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 stabilize 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 1.26.**

Table 1.26: Debt Sustainability- Interest Rate and GSDP Growth

(in per cent)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Average Interest Rate	10.11	9.51	9.11	8.79	7.52	8.11
GSDP Growth	6.68	3.71	8.70	7.52	8.40	9.10
Interest spread	(-)3.43	(-)5.80	(-)0.41	(-)1.27	0.88	0.99
Quantum spread (Rs in crore)	(-)993	(-)1967	(-)157	(-)549	417	509
Primary deficit (-)/ Surplus (+)	(-)1781	(-)976	(-)1168	(-)134	1061	3540

Table 1.26 reveals that quantum spread together with primary deficit has been consistently negative during 2001-05 indicating rising debt-GSDP ratios during the period. Debt- GSDP has increased steadily from 42.57 *per cent* in 2001-02 to 49.08 *per cent* in 2004-05 **(Table 1.24)**. The sum of quantum spread and primary deficit has turned into positive during 2005-06 and 2006-07 reflecting the decreasing tendency of debt-GSDP ratio. However, a sharp decline of 4.39 percentage points in debt-GSDP ratio was also due to the waiver of special term loans amounting to Rs 3,772 crore by Government of India which has resulted in absolute decline in the fiscal liabilities of the State during the current year.

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 1.27** indicates the resource gap as defined for the period 2001-07.

Table 1.27: Incremental revenue receipts and Revenue Expenditure

(Rupees in crore)

Period	Incremental				Resource Gap
	Non-Debt Receipts	Primary Expenditure	Interest Payments	Total Expenditure	
2001-02	297	517	835	1352	(-)1055
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

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 the last three years' period

(2004-07) indicates increasing capacity of the State to sustain the higher level of debt. However, the State is striving hard to contain the debt liabilities in recent years in compliance to the ceiling norms prescribed under the State's FRBM Act.

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 1.28 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-1.28: Net Availability of Borrowed Funds

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Internal Debt						
Receipt	5719	5827	6795	5813	4837	4254
Repayment (Principal + Interest)	2701	2365	2269	3054	3610	4308
Net Fund Available	3018	3462	4526	2759	1227	(-) 54
Net Fund Available (*per cent*)	52.8	59.4	66.61	47.46	25.37	(-) 1.27
Loans and Advances from GOI						
Receipt	531	419	542	548	24	21
Repayment (Principal + Interest)	1538	2623	3944	3051	503	4269
Net Fund Available	(-)1007	(-) 2204	(-) 3402	(-) 2503	(-) 479	(-) 4248
Net Fund Available (*per cent*)	(-)189.6	(-) 526.01	(-) 627.68	(-) 456.75	(-) 1996	(-) 20229
Other Obligations						
Receipt	3758	2594	2585	3462	3337	4198
Repayment (Principal + Interest)	3742	2507	2170	2665	3360	4134
Net Fund Available	16	87	415	797	(-) 23	64
Net Fund Available (*per cent*)	0.43	3.35	16.05	23.02	(-) 0.69	1.52
Total Liabilities						
Receipt	10008	8840	9922	9823	8198	8473
Repayment (Principal + Interest)	7981	7495	8383	8770	7473	12711
Net Fund Available	2027	1345	1539	1053	725	(-) 4238
Net Fund Available (*per cent*)	20.25	15.21	15.51	10.71	8.84	(-) 50.01

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 declined from 8.84 *per cent* in 2005-06 to (-)50 *per cent* indicating excess payments over the receipts during the year.

The State Government raised the internal debt amounting to Rs 4,254 crore comprising of market loans (Rs 981 crore), securities issued to NSSF (Rs 2,990 crore), and NABARD (Rs 283 crore). Against these receipts, Government discharged the past debt obligations (principal + interest) amounting to Rs 4,308 crore resulting in negative net funds available under the debt account.

During the current year the Government repaid GOI loans including interests amounting to Rs 4,269 crore[6] and also discharged other obligations of Rs 4,134 crore along with interest obligations which were less than the total receipts resulting in negative net availability of funds during the year. During 2006-07, the focus of the Government seems to be on discharging the past debt obligations both on account of principal and interest payment on loans raised from the market as well as from the Government of India.

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 are 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 3,781 crore in 2001-02 to Rs 1,241 crore in 2005-06 and turned into a surplus of Rs 2,023 crore in 2006-07.

Table-1.29: Fiscal Imbalances: Basic Parameters

(Rupees in crore)

Parameters	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue deficit (-) /Revenue Surplus(+)	(-)3781	(-)3754	(-)3563	(-)3391	(-)1241	(+) 2023
Fiscal deficit(-)/Fiscal Surplus(+)	(-)4959	(-)4410	(-)4880	(-)4115	(-)2654	(-)612
Primary deficit (-)/ Primary Surplus(+)	(-)1781	(-) 976	(-)1168	(-)134	(-)1061	(+)3540
RD/GSDP ***(per cent)***	(-)4.74	(-)4.54	(-)3.97	(-)3.51	(-)1.19	(+) 1.77
FD/GSDP ***(per cent)***	(-)6.22	(-)5.34	(-)5.43	(-)4.26	(-)2.53	(-)0.54
PD/GSDP ***(per cent)***	(-)2.23	(-)1.18	(-)1.30	(-)0.14	1.01	(+)3.10
RD/FD ***(per cent)***	76.25	85.12	73.01	82.41	46.76	*

* There was a surplus of Rs 2023 crore in revenue account during 2006-07.

6. Includes Rs 3,772 crore as waiver of principal of special term loans and debt waiver including interest rate relief of Rs 131.42 crore received from Government of India under Debt Consolidation and Relief Facility relating to states.

The turnaround situation in revenue account during the current year was mainly on account of an increase of Rs 3,601 crore in revenue receipts (21 *per cent*) against the increase of Rs 337 crore in revenue expenditure (1.85 *per cent*). The increase in revenue receipts during 2006-07 was mainly on account of increase of Rs 3,208 crore in non-tax revenue receipts (71 *per cent*) and Rs 338 crore in central tax transfers (27.5 *per cent*). It is, however, pertinent to mention that a sharp increase in non-tax revenue receipts of the State during the current year on account of a credit entry of Rs 3,903 crore on account of waiver of special term loans (Rs 3,772 crore) and debt waiver (Rs 131 crore) under DCRF. The notional increase in non-tax receipts on account of these waivers has resulted in a significant improvement in the revenue account of the State during the current year.

The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, decreased from Rs 4,959 crore in 2001-02 to Rs 612 crore in 2006-07 with wide inter-year variations. The surplus of Rs 3,264 crore in revenue account in 2006-07 along with an increase of Rs 258 crore under non-debt capital receipts accompanied with an increase of Rs 1,480 crore in capital expenditure and disbursement of loans and advances resulted in steep decline of Rs 2,042 crore in fiscal deficit during 2006-07 from Rs 2,654 crore in 2005-06.

The primary deficit of the State has also declined from Rs 1,781 crore in 2001-02 to Rs 134 crore in 2004-05 with a jump of Rs 192 crore in 2003-04. There was a steep decline in 2004-05 from the level of Rs 1168 crore in 2003-04 which turned into a surplus of Rs 1,061 crore in 2005-06 and Rs 3,540 crore in the current year. The steep decline in fiscal deficit to Rs 612 crore during 2006-07 from Rs 2,654 crore in the previous year along with an interest payments of Rs 4,152 crore in 2006-07 resulted into a primary surplus 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[7] 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 during 2005-06 and RD was wiped out and turned into surplus during the current year. This trajectory shows a significant improvement in the quality of the deficit during 2005-06 and 2006-07.

The bifurcation of the factors resulting into primary deficit or surplus of the State during the period 2001-07 reveals (**Table 1.30**) that except 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

[7] Primary revenue deficit 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.

expenditure[8] requirements in the revenue account, rather left some receipts to meet the expenditure under the capital account 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 2001-05. 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 1.30: Primary deficit / surplus - Bifurcation of factors

(Rupees in crore)

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and Advances	Primary revenue deficit (-) / surplus (+)	Primary deficit (-) / surplus (+)
1	2	3	4	5	6	7
2001-02	9801	9532	2050	1066	(+)269	(-)2847
2002-03	11174	11391	759	339	(-)217	(-)1315
2003-04	12244	11990	1422	757	(+)254	(-)1925
2004-05	13941	13217	858	97	(+)724	(-)231
2005-06	17103	14492	1550	33	(+)2611	(+)1028
2006-07	20962	14392	3030	444	(+)6570	(+)3096

1.10 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. **Table-1.31** presents a summarized position of Government finances over 2002-07, 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.

8 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.

Table-1.31: Indicators of Fiscal Health

(in per cent)

Fiscal Indicators	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
1	2	3	4	5	6	7
I Resource Mobilization						
Revenue Receipt/GSDP	11.20	13.40	13.51	14.29	16.20	18.00
Revenue Buoyancy	(-)0.72	6.47	1.11	1.83	2.72	2.33
Own Tax/GSDP	6.05	6.91	6.84	7.19	8.59	7.89
II Expenditure Management						
Total Expenditure/GSDP	18.52	18.86	19.06	18.69	18.87	18.89
Total Expenditure/Revenue Receipts	165.30	140.76	141.07	130.77	116.45	104.90
Revenue Expenditure/Total Expenditure	86.11	95.13	91.70	95.25	92.15	85.96
Salary &Wage expenditure on Social and Economic Services / Revenue Expenditure	-	20.17	20.89	20.12	20.07	20.64
Non-Salary &Wage expenditure on Social and Economic Services / Revenue Expenditure	-	17.14	19.28	22.17	20.11	21.84
Capital Expenditure/Total Expenditure	6.67	2.69	3.89	4.21	7.68	11.99
Capital Expenditure on Social and Economic Services/Total Expenditure.	6.52	2.57	3.78	3.94	7.22	11.55
Buoyancy of TE with RR	(-)2.11	0.23	1.02	0.40	0.41	0.43
Buoyancy of RE with RR	(-)1.78	0.69	0.61	0.69	0.26	0.09
III Management of Fiscal Imbalances						
Revenue deficit (-)/Revenue Surplus(+)	(-)3781	(-)3754	(-)3563	(-)3391	(-)1241	(+) 2023
Fiscal deficit (-)/Fiscal Surplus(+)	(-)4959	(-)4410	(-)4880	(-)4115	(-)2654	(-)612
Primary Deficit (-)/Primary Surplus(+)	(-)1781	(-) 976	(-) 1168	(-) 134	(+) 1061	(+) 3540
Revenue Deficit/Fiscal Deficit	76.25	85.12	73.01	82.41	46.76	(-) 330.56
IV Management of Fiscal Liabilities						
Fiscal Liabilities/GSDP	42.57	46.36	48.08	49.08	49.06	44.67
Fiscal Liabilities/RR	379.90	346.08	355.85	343.33	302.75	248.14
Buoyancy of FL with RR	(-)3.59	0.54	1.32	0.71	0.37	(-) 0.03
Buoyancy of FL with Own Receipt	(-)11.20	0.51	1.17	0.71	0.84	(-) 0.03
Primary deficit vis-à-vis quantum spread	(-)179.35	(-)49.62	(-)743.95	(-)24.41	254.44	695.48
Net Funds Available	20.25	15.21	15.51	10.71	8.84	(-) 50.01
V Other Fiscal Health Indicators Return on Investment	0.05	0.04	0.08	0.02	0.03	0.05
Balance from Current Revenue (Rs in crore)	(-)3295	(-) 3415	(-) 3387	(-) 3341	(-) 790	2252
Financial Assets/Liabilities	48.95	45.03	42.97	40.89	43.01	46.59

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 18 *per cent*, an increase of two percentage points over previous year. The ratio of own taxes to GSDP showed continued improvement during 2001-06 (except in 2003-04 when it declined marginally) with a sharp decline of 0.70 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 0.31 *per cent* (Rs 28 crore) over the previous year as against the increase of 9.10 *per cent* in GSDP during 2006-07.

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 2001-07. 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. During the current year as bulk of the increase in capital expenditure was shown in the form of plan capital expenditure in formulation of district plans at district headquarters, it is difficult to make a qualitative comment on the increase in share of capital expenditure.

The fiscal position of the state viewed in terms of fiscal indicators has shown a significant improvement in the current year. Accompanied with a sharp improvement in Balance from Current Revenue (BCR) from the deficit of Rs (-)790 crore (2005-06) to a surplus of Rs (+) 2252 crore during 2006-07 is also reflected in improvement in the assets backup of financial liabilities of the State by more than two *per cent* age points in the current year.

1.11 Conclusion

The fiscal position of the State viewed in terms of the trends in fiscal parameters - revenue, fiscal and primary deficit/surplus - has shown noticeable improvement during the last two years especially in 2006-07. The emergence of revenue surplus along with a sharp decline in fiscal deficit and a steep increase in primary surplus during 2006-07 apparently indicates towards the robust fiscal health of the State. However, a further analysis reveal that significant improvement in the fiscal indicators during the current year was mainly on account of a sharp increase in non-tax revenue receipts of the State during the current year due to a credit entry of Rs 3,903 crore on account of waiver of specific term loan (Rs 3,772 crore) and debt waiver (Rs 131 crore) under DCRF during 2006-07. The State's own tax revenue, on the other hand has merely increased by Rs 28 crore (0.31 *per cent*) in 2006-07 over the previous year. Moreover, the tax revenue at Rs 9,017 crore in 2006-07 remained significantly lower than both the projections made by the TFC as well as the by the State Government in its FCP 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. Moreover, although capital expenditure excluding loans and advances has shown an increase of Rs 1,069 crore but it is difficult to make a qualitative comment on the increase in share of capital expenditure as a steep increase of Rs 859 crore was observed in plan capital expenditure under the Major head '5475 – Capital Outlay on other General Economic Services', minor head 'Statistics' below subheads State Level Initiative (Punjab Nirman Programme) and formulation of district plan at district headquarters. The investments in statutory corporations, joint stock companies and co-operatives stood at Rs 3,762 crore during 2006-07 but the negligible return on these investments (less than one *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.

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-a-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 law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2006-2007 against the total of 30 grants/appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original grants/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	(-)Saving (+) Excess
Voted	I. Revenue	17209.22	1234.90	18444.12	14811.68	-3632.44
	II. Capital	2679.02	1385.13	4064.15	3128.75	-935.40
	III. Loans & Advances	14.23	2.21	16.44	17.05	+0.61
Total Voted		**19902.47**	**2622.24**	**22524.71**	**17957.48**	**-4567.23**
Charged	V. Revenue	4217.54	139.01	4356.55	4210.71	-145.84
	VI. Capital	0	0	0	0	0
	VII. Public Debt	1847.99	0	1847.99	5170.55	+3322.56
Total Charged		**6065.53**	**139.01**	**6204.54**	**9381.26**	**+3176.72**
Grand Total		**25968.00**	**2761.25**	**28729.25**	**27338.74**	**-1390.51**

Note: - ***The expenditure includes the recoveries adjusted as reduction of expenditure under revenue expenditure Rs 478.61 crore and capital expenditure Rs 115.47 crore.***

The overall savings of Rs 1,390.51 crore as mentioned above were the net result of savings of Rs 5,143.94 crore in 71 cases and appropriations offset by excess of Rs 3,753.43 crore in six 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 2007).

2.3 Savings and Excesses

2.3.1. Appropriation by Allocative Priorities

Out of the savings of Rs 5,143.94 crore, as much as 91.33 *per cent* (Rs 4,697.92crore) occurred in 12 grants as mentioned below:

(Rupees in crore)

Grant No.	Original	Supplementary	Total Grant	Actual Expenditure	Saving
01-Agriculture and Forests-Revenue (Voted)	382.58	0	382.58	276.05	106.53
05-Education-Revenue (Voted)	2712.70	0	2712.70	2292.83	419.87
05-Education-Capital (Voted)	103.63	0	103.63	15.06	88.57
08-Finance-Revenue (Voted)	5705.69	93.18	5798.87	4043.91	1754.96
08-Finance-Revenue (Charged)	4177.49	111.00	4288.49	4151.80	136.69
11-Health and Family Welfare-Revenue (Voted)	925.87	0	925.87	709.52	216.35
12-Home Affairs and Justice-Capital (Voted)	138.36	9.91	148.27	57.69	90.58
15-Irrigation and Power-Revenue (Voted)	2293.11	330.23	2623.34	1977.56	645.78
17-Local Government, Housing and Urban Development-Capital (Voted)	294.59	194.10	488.69	210.29	278.40
19-Planning-Revenue (Voted)	509.63	94.54	604.17	539.05	65.12
21-Public Works-Capital (Voted)	794.74	0	794.74	636.60	158.14
22-Revenue and Rehabilitation-Revenue (Voted)	996.71	0	996.71	661.83	334.88
23-Rural Development and Panchayats-Revenue (Voted)	181.66	332.11	513.77	286.06	227.71
23-Rural Development and Panchayats-Capital (Voted)	183.11	71.62	254.73	131.99	122.74
25-Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes-Revenue (Voted)	217.80	0.04	217.84	166.24	51.60
Total	**19617.67**	**1236.73**	**20854.4**	**16156.48**	**4697.92**

Departments did not intimate reasons for savings. Areas in which major savings occurred in these 12 grants are given in ***Appendix-2.12***.

2.3.2. Persistent savings

In 9 cases, involving six 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-2.13***. Under five 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 (Rs 2,761.25 crore) made during this year constituted 10.63 *per cent* of the original provision (Rs 25,968.00 crore) as against 5.26 *per cent* in the previous year.

2.3.4. Unnecessary/excessive/inadequate supplementary provisions

Supplementary provisions of Rs 863.18 crore made in 20 cases during the year proved unnecessary in view of aggregate saving of Rs 3,130.85 crore. Details are given in ***Appendix-2.14***.

In 13 cases, against additional requirement of only Rs 1,436.18 crore, supplementary grants and appropriations of Rs 1,891.52 crore were obtained, resulting in savings in each case exceeding Rupees 50 lakh, aggregating Rs 455.34 crore. Details are given in ***Appendix-2.15***.

As mentioned below, supplementary provision of Rs 2.40 crore proved insufficient leaving an uncovered excess expenditure of Rs 0.85 crore.

Sr No.	**No. and name of Grant/Appropriation**	**Original Grant**	**Supplementary grant**	**Total**	**Expenditure**	**Excess**
						(Rupees in crore)
Revenue (Charged)						
1.	30-Vigilance	0.01	0.10	0.11	0.13	0.02
Capital (Voted)						
2.	08-Finance	14.23	2.21	16.44	17.05	0.61
3.	27-Technical Education and Industrial Training	0	0.09	0.09	0.31	0.22
	TOTAL	**14.24**	**2.40**	**16.64**	**17.49**	**0.85**

2.3.5. Anticipated savings not surrendered

According to 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 2006-07, there were 29 cases in which savings were above Rupees one crore in each case amounting to Rs 3,651.60 crore had not been surrendered. In 13 cases, even after partial surrender, savings of Rupees one crore and above in each case aggregating to Rs 858.81 crore (58.94 *per cent* of total savings) were generated and these were not surrendered. Details are given in ***Appendices-2.16 and 2.17*** 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 1,331.71 crore for the years 2001-06 had not been got regularised so far (August 2007). 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
2001-2002	4	1,15,21 & 26,	386.23	Not received
2002-2003	4	15, 18, 21 & 26	289.85	Not received
2003-2004	5	11, 12, 18, 21 & 30	194.46	Not received
2004-2005	4	8, 12, 21, 26	395.52	Not received
2005-2006	2	17, 19	65.65	Not received
TOTAL			**1331.71**	

2.3.7 Excess expenditure over provisions of 2006-07 requiring regularization

The excess of Rs 3.753.43 crore involving five grants and appropriations during the year requires regularisation under Article 205 of the Constitution. Details are given as follows:

(Rupees in crore)

Sr.No.	No. and name of Grant/appropriation	Total Grant/ appropriation	Actual expenditure	Excess
Revenue (Voted)				
1.	21-Public Works	718.64	1148.40	429.76
Revenue (Charged)				
2.	05-Education	16.25	16.50	0.25
3.	30-Vigilance	0.11	0.13	0.02
Capital (Voted)				
4.	08-Finance	16.43	17.05	0.62
5.	27-Technical Education and Industrial Training	0.09	0.31	0.22
Capital (Charged)				
6.	08-Finance	1847.99	5170.55	3322.56
	TOTAL	**2599.51**	**6352.94**	**3753.43**

Reasons for the excesses had not been furnished by the Government as of August 2007.

2.3.8. Persistent excesses

Significant excesses were persistent in eight cases involving two grants as detailed in ***Appendix-2.18.*** Persistent excesses require investigation by the government.

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. Cases where the re-appropriation of funds proved injudicious in view of final excess of Rs 49.88 crore in two grant and savings of Rs 494.18 crore in 14 grants by Rupees one crore and above are detailed in ***Appendices- 2.19 and 2.20*** respectively.

2.4 Unreconciled expenditure

As per instructions of the State Government, departmental figures of expenditure should be reconciled periodically with those of the Accountant General (A&E) such reconciliation would enable them to exercise control over expenditure.

Position as on July 2007 regarding non-reconciliation of expenditure by Controlling Officers with Accountant General (A&E) revealed that nine Controlling Officers out of 205 had not reconciled an expenditure of Rs 2,637.23 crore incurred by them up to 31 March, 2007 as detail below:

(Rupees in crore)

Sr.No.	Head of Account	Expenditure booked under the head	No. of Controlling Officers along with expenditure where reconciliation was not done	No. of Controlling Officers along with expenditure who have done partial reconciliation	Month up to which completed	Expenditure remaining un-reconciled.
1	2801-Power	1427.98	1			1427.98
2	2852-Justice	105.00	1			105.00
3	4801-C.O. on power project	20.00	1			20.00
4	2202-General Education DPI (C)	19.25	1			19.25
	DPI- (P)(S)	2022.69		(1) 1070.58	9/2006	952.11
5	2515-Other Rural Development Programme	61.91		(1) 54.48	12/2006	7.43
6	4515-C.O. other Rural Development Programme	25.89		(1) 23.96	12/2006	1.92
7	3451-Secretariat Economic Services	504.73		(2)401.19	12/2006	103.54
					Total	**2637.23**

Non-reconciliation of figures of expenditure is contrary to the instructions issued by the government which could lead to cases of frauds and embezzlements etc. remaining undetected.

The matter was taken up with the government by the Accountant General (A&E) in June, 2007. The reply is still awaited (August 2007).

2.5 Defective Re-appropriation

During 2006-07, 40 re-appropriation orders of Rs 2,338.17 crore were issued. Of these, nine orders aggregating Rs 967.77 crore were issued on 31st March 2006, the last day of the fiscal year. Thirteen re-appropriation orders of the value of Rs 781.46 crore (33.42 *per cent*) were not considered in accounts as per details given in ***Appendix- 2.21***.

2.6 Rush of Expenditure

The financial rules require that 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 2,463.13 crore i.e. 11.66 *per cent* of the total expenditure Rs 21,129.96 crore (Rs 21,129.96 crore excludes recoveries Rs 594 crore, public debt Rs 5,171 crore and loans and advances Rs 444 crore) was incurred in March 2007. Expenditure on the last day of the year was Rs 493.45 crore. It was also noticed that in 10 cases, expenditure incurred during the 4th quarter of the year ranged between 50 and 100 *per cent* of total expenditure under those head of accounts. Expenditure incurred during March 2007 was 28.97 *per cent* of the total expenditure in these cases. Details are given in ***Appendix-2.22***.

2.7 Expenditure on New Service/New Instrument of Service

Para 14.1 of Punjab Budget Manual read with note on "Streamlining of procedure for submission of budget returns" below para 14.9 of the Manual ibid lays down that no expenditure shall be incurred which may have the effect of exceeding the total grant or appropriation authorised by the Appropriation Act for a financial year, except after obtaining additional funds by re-appropriation, supplementary grant or appropriation or an advance from the contingency fund of the state.

Test check of records revealed that the State Government incurred an expenditure of Rs 164.49 crore on 6 new schemes as detailed in the ***Appendix-2.23*** without budget provision in contravention of the provisions of the Punjab Budget Manual.

2.8 Budgetary Control

2.8.1 A review of budgetary procedure and control over expenditure in case of five grants (13-Industries, 17-Local Government Housing and Urban Development, 19-Planning, 23-Rural Development and Panchayats, 25-Social and Women's Welfare and Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes) covering nine offices and 14 departments revealed that budget estimates for the year 2006-07 due on 1st November 2005 were sent by these administrative departments to the Finance Department late and in some cases even after the budget had been formulated by the State Government.

Departments were to maintain liability register to keep watch over the undischarged 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.

2.8.2 In 28 cases (Industry, Local Government, Housing and Urban Development, Planning, Rural Development and Panchayats, Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes and Social Security and Welfare), there were persistent savings exceeding Rs 20 lakhs or 20 *per cent* or more of the provision in each case during the last three years as per detail given in **Appendix-2.24**. In 10 of the above cases, entire provisions in last three years remained unutilised.

2.8.3 A detailed scrutiny of two departments i.e. Planning Department (Grant no. 19) and Rural Development and Panchayats (Grant no. 23) revealed that in 20 cases, there were saving of Rs 277.29 crore due to non-receipt of sanction/schemes clearance from the Government or cut imposed/non-release of funds by the Finance Department/Government of India as per detail in **Appendix-2.25.**

In eight cases there were saving of Rs 112.64 crore due to bills not passed by the Treasury Office as per detail given in **Appendix-2.26.**

CHAPTER-III

PERFORMANCE AUDIT

CHAPTER-III

PERFORMANCE AUDIT

This chapter presents three performance audits on Working of Irrigation Department, Central Road Fund for Development of State Roads in Punjab and Information Technology Audit of Integrated Treasury Information System of Punjab and two long paragraphs on Cattle and Buffalo Development Programme and Nutrition Programme under Integrated Child Development Services Scheme and other schemes.

3.1 Working of Irrigation Department

IRRIGATION DEPARTMENT

Highlights

Performance audit of working of Irrigation Department disclosed cases of defective planning and programme management besides over exploitation of underground water. There were cases of delay in release of funds, administrative approvals accorded without ensuring pre-requisites and construction of new channels without ensuring availability of water. Non-tapping the hydro potential led to loss of power generation. Non-imparting of training resulted in idle establishment and infrastructure.

> ***Nine projects estimated to cost Rs 387.91 crore approved in annual plans were not implemented but three schemes not included in the annual plans were executed at a cost of Rs 61.13 crore.***

(Paragraph 3.1.7.3)

> ***Outsourcing of a work despite availability of qualified staff resulted in avoidable expenditure of Rs 1.23 crore.***

(Paragraph 3.1.7.4)

> ***Over drafting of ground water rendered 103 blocks over-exploited, five blocks critical and four blocks semi critical, leaving only 25 blocks safe.***

(Paragraph 3.1.8.2)

> ***Delay in taking up complementary works resulted in increase of estimated cost by Rs 749.48 crore.***

(Paragraphs 3.1.9.1& 3.1.9.2)

> ***Failure to complete schemes and restore electricity to completed schemes resulted in unfruitful expenditure of Rs 1.68 crore.***

(Paragraph 3.1.9.6)

> ➢ ***Short utilization of departmental machinery resulted in unproductive expenditure of Rs 13.30 crore on establishment and crew and non-inclusion of crew charges in the operational cost of machinery resulted in non-recovery of Rs 3.43 crore from client Department/agency.***

(Paragraph 3.1.10.2 & 3.1.10.3)

> ➢ ***Failure of the Divisional Canal Officers to monitor recovery of penalty imposed in tawan cases resulted in non-realization of Rs 66.92 lakh.***

(Paragraph 3.1.12.1)

3.1.1 Introduction

The State of Punjab has primarily an agrarian economy; therefore water resources and irrigation are central to it. The total geographical area of the State is 50.36 lakh hectares with irrigable area of 42 lakh hectares. There are seven[1] canal systems designed for culturable command area (CCA) of 30.88 lakh hectares. The Department of Irrigation is responsible for maintenance of canals, drains and dams, execution of flood protection and water-logging works and river projects.

3.1.2 Organizational set-up

Principal Secretary Irrigation and Power (Administrative Secretary) is the overall in-charge of the Department assisted by 12 Chief Engineers (CEs). In the field, the execution and research works are executed through 210 Executive Engineers (EE) under the supervision of 54 Superintending Engineers (SE) or equivalent officers. The Director, Irrigation and Power Research Institute (DIPR); Director, Punjab Irrigation Management Training Institute (PIMTI) and CE, Vigilance and Quality Control (CE (V)) are responsible for research, training and quality control activities respectively.

3.1.3 Audit objectives

The main objectives of the performance audit are to assess whether:

- ➢ budget estimates were prepared realistically and provisions made in approved five year/annual plans were adhered to;
- ➢ the sanctions to the project estimates were accorded timely and funds provided to avoid time and cost overrun;
- ➢ projects being executed by the Department were planned properly to achieve intended benefits optimally and
- ➢ available manpower was utilized optimally and training, research and vigilance control activities were performed efficiently.

[1] **Sirhind Canal System, Sirhind Feeder System, Eastern Canal System, U.B.D.C. System, Bhakra Canal System, Bist Doab System and Shah Nehar System.**

3.1.4 *Audit criteria*

Provisions laid down in Punjab Public Works Department Code, Irrigation Manual of Orders (IMO), Punjab Financial Rules and instructions/guidelines of Central Design Organization (CDO), Central Water Commission (CWC), Vigilance and Quality Control wing were used as audit criteria.

3.1.5 *Scope of Audit and Methodology*

The records of Administrative Secretary, five CEs out of 12 and 21 EEs out of 83 implementing units of the Department pertaining to the period 2000-07 were test checked between September 2006 and March 2007. The selection of units was made by adopting systematic sampling technique. Documentary evidence was gathered and analyzed to arrive at the results of audit.

3.1.6 *Financial management*

The State Government provides funds to the Department for construction, improvement and maintenance of works through the annual budget. Within the Department, the CE regulates funds through Letter of Credit (LOC) issued to various units. Government of India (GOI) provided (2002-07) Rs 159.64 crore as Central Loan Assistance (CLA) on sharing pattern[2] under Accelerated Irrigation Benefit Programme (AIBP). The State Government also borrowed Rs 154.61 crore during 2002-07 from National Bank of Agriculture and Rural Development (NABARD) on loan.

The budget provision and expenditure incurred during 2002-07 were as under:

(Rupees in crore)

Year	Budget allotment			Expenditure			Excess(+) / Saving(-)		
	Non-plan	Plan	Total	Non-plan	Plan	Total	Non-plan	Plan	Total
2002-03	557.89	292.83	850.72	431.06	409.95	841.01	(-)126.83	(+)117.12	(-)9.71
2003-04	573.02	194.41	767.43	582.08	108.75	690.83	(+)9.06	(-)85.66	(-)76.60
2004-05	543.82	315.25	859.07	476.83	251.51	728.34	(-)66.99	(-)63.74	(-)130.73
2005-06	629.90	359.04	988.94	628.29	359.39	987.68	(-)1.61	(+)0.35	(-)1.26
2006-07	603.10	420.47	1023.57	548.45	409.74	958.19	(-)54.65	(-)10.73	(-)65.38
Total	**2907.73**	**1582.00**	**4489.73**	**2666.71**	**1539.34**	**4206.05**	**(-)241.02**	**(-)42.66**	**(-)283.68**

Source: Chief Engineer, Punjab Irrigation Department

Excess expenditure (Rs 117.12 crore) under plan schemes during the year 2002-03 was due to the booking of expenditure of non-plan schemes to plan schemes.

3.1.6.1 *Variation in budget demand and actual expenditure*

Punjab Budget Manual (Manual) stipulates that the Budget Estimates (BEs) for the ensuing year should be based on average expenditure for six months of preceding year and actual expenditure of first six months of current year to make the budget estimate realistic.

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2 **In the ratio of 2:1 by GOI and State Government respectively.**

There was a big difference between budget demanded and budget provided

Test check of records of six[3] divisions, disclosed that during 2002-07, the budget was not demanded keeping in view above provisions. Against a budget demand of Rs 624.82 crore, Rs 106.88 crore were provided and expenditure of Rs 106.15 crore was incurred which was 16.99 *per cent* of the budget demanded. Thus, there was a big difference between the budget asked and the budget provided (money spent).

3.1.6.2 Pending collection of abiana

Northern Indian Canal and Drainage Act, 1873 empowered the Department to levy *abiana* which is to be collected by the Revenue Department.

Non-recovery of *abiana* of Rs 168.95 crore

Government instructed (May 2002) the Department to collect *abiana* through Drawing and Disbursing Officers (DDOs) of Irrigation Department instead through the Revenue Department. The Department reverted (January 2006) to the original prescribed procedure as the Irrigation Department DDOs failed to collect the revenue. The Department collected only Rs 23.70 crore against the due *abiana* of Rs 192.65 crore during 2002-06. Thus, revenue of Rs 168.95 crore remained unrecovered (December 2006).

The matter was referred (May 2007) to the Government, reply has not been received (June 2007).

3.1.6.3 Outstanding miscellaneous public works advances

The financial rules[4] prescribe that any amount kept under Miscellaneous Public Works Advances (MPWA) is required to be cleared urgently either by actual recovery or by transfer to concerned head of account under proper sanction of the competent authority.

Department could not recover/adjust Rs 2.77 crore outstanding under MPWA since 1962-63

Audit scrutiny disclosed that in nine[5] divisions, Rs 2.77[6] crore pertaining to the period 1962-63 to 2006-07 was due from officials whose whereabouts were not known to the Department (Rs 5.47 lakh), officials who had since expired/ retired (Rs 14.19 lakh), officers/ officials spent government money without sanctioning of estimates and approval of rates (Rs 61.59 lakh), suppliers and other divisions (Rs 35.81 lakh) and LAO for not supplying payment vouchers (Rs 71.75 lakh) besides Rs 88.00 lakh on account of petty items.

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3 **Bathinda Canal Division, Bathinda, Drainage Construction Division, Ferozepur; Drainage Division, Hoshiarpur; Eastern Division, Ferozepur; Investigation Division(J) Hoshiarpur and Janauri Chohal Division, Hoshiarpur;.**

4 **Rule 5.13 to 5.15 of Departmental Financial Rules (DFR) and Article 54 to 57 of Account Code Vol. III.**

5 **Bathinda Canal Division, Bathinda, Devigarh Division (IB) Patiala, Eastern Canal Division, Ferozepur, Hoshiarpur Drainage Division, Hoshiarpur, Investigation Division (J), Hoshiarpur, Janauri Chohal Const. Division, Hoshiarpur, Madhopur UBDC,Gurdaspur, Shah Nehar Headworks Division, Talwara, Mansa Drainage Division, Mansa.**

6 **Outstanding for more than 10 years (584 items) Rs 1.17 crore; more than five years but less than 10 years (46 items) Rs 1.07 crore; more than two years but less than five years (14 items) Rs 0.21 crore; more than one year but less than two years (17 items) Rs 0.30 crore and upto one year (4 items) Rs 0.02 crore.**

3.1.6.4 Non-deposit of sales tax and income tax

Non-deposit of sales tax and income tax amounting to Rs 2.49 crore deducted from contractors

In three[7] divisions, sales tax and income tax amounting to Rs 1.07 crore and Rs 1.42 crore respectively deducted from contractual agencies during 2002-07 was not deposited into the final receipt head of account of the Government.

On being pointed out (November 2006), EEs while admitting the facts assured to deposit amount of tax shortly. Further developments were awaited in audit (July 2007).

3.1.7 Planning

3.1.7.1 Project not started

Bhakra Main Line (BML) is a common carrier channel (discharge 12455 cusecs) for Bhakra Beas Management Board's (BBMB) partner States[8]. For any addition/alteration to common channel, concurrence of the partner States of BBMB is required[9].

Non-installation of Mini Hydel Projects on Bhakra Main Line deprived the State of 68.84 million units of power per annum

Scrutiny of records (May 2006) of EE, BML Division, Patiala disclosed that Department identified (September 2001) 20 falls on BML to generate electricity by installing Mini-Hydro Project (MHP) on Build, Operate and Own (BOO) mode wholly for their own consumption. It being a common channel, the partner States did not agree to the proposal.

BBMB, however, proposed (May 2002) to tap three[10] major falls in the first phase for installation of MHPs at an estimated cost of Rs 106.64 crore for construction within a period of 15 months. The cost and benefits were proposed to be shared[11] amongst the partner States of BBMB as per existing pattern. Punjab did not accept the proposal though other partner States agreed. Thus, proposed generation of electricity (18.07MW) could not be taken up, depriving the State of its potential share of 68.84 million units[12] per annum.

In response to audit, the EE stated (May 2006) that the matter has been referred to higher authorities. The BBMB decided (May 2007) to request Ministry of Power, GOI to take up the matter with the Chief Minister, Punjab. However, further progress has not been reported so far (July 2007).

7 **Bathinda Canal Division, Bathinda, Drainage Construction Division, Ferozepur and Eastern Canal Division, Ferozepur.**

8 **In terms of article 1(9) of Bhakra Nangal Agreement, 1959 Punjab, Haryana and Rajasthan are the partner States.**

9 **As per article 13 of Bhakra Nangal Agreement, 1959.**

10 **Thablan at RD 100400 (7.44 MW), Saunda at RD 158230 (5.10 MW) and Chanarthal at RD 192425 (5.53 MW).**

11 **15.22 *per cent* of total generation to Rajasthan, remaining 84.78 *per cent* amongst Punjab (54.5 *per cent*), Haryana (39.5 *per cent*), Himachal Pradesh (2.5 *per cent*) and Chandigarh (3.5 *per cent*).**

12 **Rajasthan @ 15.22 *per cent* (22.68 MU), Punjab @ 54.5 *per cent* of 126.32 (68.84MU), Haryana @ 39.5 *per cent* of 126.32 (49.90 MU), Himachal Pradesh @ 2.5 *per cent* of 126.32 (3.16 MU) and Chandigarh @ 3.5 *per cent* of 126.32 (4.42 MU).**

3.1.7.2 Defective project preparation

The Department submitted (October 2004) a project estimate of Rs 28.64 crore to NABARD for loan assistance for lining of Ladhuke Distributory System off taking at RD 4500 of parent channel i.e. Jallalabad Branch without ensuring designed discharge in the parent channel. NABARD pointed out (February 2005) that the parent channel needed de-silting and clearance of weeds, etc. to feed Ladhuke Distributory System at proper discharge.

Inadequate survey and incorrect preparation of project delayed sanction of loan assistance for two years leading to an increase in estimated cost of the project

CE (Lining) assured (March 2005) that clearance and desilting of Jallalabad branch will be got done with State funds in due course. The Government forwarded (March 2005) revised project estimate costing Rs 31.82 crore for loan assistance. NABARD, however, returned (November 2005) the project as cost of various components was incorrectly worked out to Rs 32.08 crore instead of Rs 31.82 crore. Revised project estimate submitted (April 2006) by the Department was sanctioned (June 2006) at an increased cost of Rs 40.91 crore.

Omission of Department to submit the project to NABARD without verifying water as per designed discharge coupled with mistakes in calculation of cost not only delayed the project by more than two years but also resulted in increase in estimated cost the project.

CE admitted (February 2007) the facts.

3.1.7.3 Change in areas of execution

Nine schemes of Rs 387.91 crore, included in five year plan were not implemented; while three schemes not included in the five year plan were executed

Of the 31 schemes/projects included in the 10^{th} five year plan during 2002-07, nine schemes/projects involving an outlay of Rs 387.91 crore were not implemented by the Department depriving the State of additional irrigation potential of 3.27 lakh hectares. While three other schemes/ projects, involving additional irrigation potential of 0.15 lakh hectare neither included in the annual plans nor approved by Government at the time of approving 10^{th} five year plan were implemented by incurring an expenditure of Rs 61.13 crore. Thus, the very purpose of planning was defeated.

On being pointed out (October 2006), CE admitted (November 2006) the facts.

3.1.7.4 Unjustified expenditure on outsourcing

The Planning Commission approved the Detailed Project Report (DPR) of the Shahpur Kandi Dam (SPKD) for Rs 1,038.22 crore at the price levels of 1995. The project reports for SPKD were being prepared and updated departmentally. The Government entered (January 2005) into an Memorandum of Understanding (MoU) for Rs 1.39 crore with National Hydro Power Corporation (NHPC) to review and update the DPR which had been cleared by the Planning Commission. At the same time, the Department also undertook a review of the same approved DPR.

Outsourcing updation of Detailed Project Report despite availability of qualified staff and then rejecting the consultants report resulted in avoidable expenditure of Rs 1.23 crore

As per MoU, 50 *per cent* of total cost was to be paid at the time of signing of MoU, 30 *per cent* of the total cost was to be paid within 15 days of submission of review report and balance 20 *per cent* within 15 days of submission of updated DPR by NHPC.

It was observed that for this work, Rs 1.23 crore (Rs 1.12 crore + service tax: Rs 0.11 crore) was paid to NHPC during February-September 2005 being 80 *per cent* of the total cost. The Department rejected the DPR prepared by NHPC as it was formed uneconomical. Against a cost of Rs 2,368.78 crore projected by NHPC, the Department itself had worked out the cost as Rs 1,945.00 crore at the same price level (September 2005). The remaining 20 *per cent* payment was withheld and the report was also not adopted.

Decision of the Department for outsourcing work of DPR inspite of available in-house expertise put avoidable financial burden of Rs 1.23 crore on State exchequer besides creating liability of Rs 0.27 crore (Rs 1.39 crore–Rs 1.12 crore).

3.1.8 Environmental aspect

The total geographical area of the State is 50.36 lakh hectares with irrigable area of 42 lakh hectares. The existing canal irrigation system is designed for CCA of 30.88[13] lakh hectares.

The details of area irrigated by canals and tubewells are given below:

Year	Total Geo-graphical area	Net Area sown *(percentage to total area)*	Net irrigated area *(percentage to area sown)*	Irrigation by canals *(percentage to irrigated area)*	Irrigation by tube wells and wells *(percentage to irrigated area)*	Irrigation by other means *(percentage to irrigated area)*	No. of tube wells *(No. in lakh)*	Length of canals *(in Kms)*
2002-03	50.36	42.24 *(84)*	40.35 *(84)*	11.48 *(28.45)*	28.80 *(71.38)*	0.07 *(0.17)*	11.33	13614
2003-04	50.36	42.01 *(83)*	40.28 *(83)*	11.29 *(28.03)*	28.89 *(71.72)*	0.10 *(0.25)*	11.44	NA
2004-05	50.36	42.00 *(83)*	40.35 *(83)*	11.01 *(27.28)*	29.19 *(72.34)*	0.15 *(0.38)*	11.68	14500

Source: Statistical Abstract compiled by Economic Advisor to GOP

Predominance of tubewells over canal for irrigation and increase in installation of tubewells resulted in over exploitation of ground water

Though total length of canals increased from 13614 kilometers to 14500 kilometers during 2002-05 but there was continuous decrease in area irrigated by canals from 11.48 lakh hectares to 11.01 lakh hectares owing to *warabandi*[14], disputes among farmers and tubewell irrigation being a more convenient option over canal irrigation.

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[13] **Sirhind Canal System: 13.59; Sirhind Feeder System: 3.60; Eastern Canal System: 2.16; U.B.D.C. System: 5.73; Bhakra Canal System: 3.81; Bist Doab System: 1.99 and Shah Nehar System.**

[14] **The schedule for irrigation through canals prepared by the Department in consultation with the beneficiaries.**

The decrease in area irrigated by canals during 2002-05 was taken over by the installation of 35000 new tubewells as area irrigated by tubewells increased from 28.80 lakh hectares to 29.19 lakh hectares during this period. Preference for tubewells over canal irrigation, among other factors, was mainly due to non-existence of regulations to check installation of tubewells, its independent use and ready availability of ground water.

3.1.8.1 Non-monitoring of ground water

To monitor the ground water, a project "Ground water investigation and integrated utilization of water resources in the Punjab State" was taken up in 1971 estimated at Rs 1.80 crore to be completed by 1975, which provided for research and development activities relating to ground water. 62 exploratory bores (E-bores) were to be installed for examination of deep-water aquifers to assess the scope and limitation of water resources and problems that may arise out of over-exploitation of ground water resources. Subsequently the project was revised thrice and as per the latest administrative approval (January 2006) the estimated cost of the project has increased to Rs 98.63 crore. However, even after a lapse of more than thirty years only 32 E-bores were installed and work on two bores was in hand (November 2006). This defeated the purpose of the project.

3.1.8.2 Over exploitation of ground water

Total area irrigated by canals constituted 28 *per cent* only of the total area sown in Punjab, whereas area irrigated by tubewells was 72 *per cent*. The number of tubewells increased from 1.92 lakh (1971) to 11.68 lakh (2005). As per latest report of 2007[15], during 2003-04, 31.16 lakh hectare meter of underground water was drafted against the recharge of 23.78 lakh hectare meter resulting in over exploitation of underground water by 7.38 lakh hectare meter.

Due to unchecked drafting during 1984-2004, number of overexploited blocks increased from 53 (1984) to 103 (2004) with time, as detailed below:

Sr. No.	Category of Blocks	1984	1986	1989	1992	1999	2004
1	Overexploited	53	55	62	63	73	103
2	Critical	7	9	7	7	11	5
3	Semi-critical	22	18	20	15	16	4
4	Safe	36	36	29	33	38	25
	Total[16]	**118**	**118**	**118**	**118**	**138**	**137**

Thus, over exploitation of ground water led to continuous fall of ground water table in the State rendering 103 blocks overexploited, five blocks critical and four blocks semi critical leaving only 25 blocks (18 *per cent*) in the safe category.

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15 **Report on Dynamic Ground Water Resources of Punjab State (As on March 2004).**
16 **Change in total number of blocks is due to reorganisation.**

In the absence of a system to monitor and scientifically regulate the use of ground water, there is a trend towards over exploitation of ground water in most blocks.

In reply, the Director, Water Resources and Environment Directorate, Chandigarh while admitting (July 2007) the facts attributed the problem of over exploitation to diverse aspects including limited share of surface water, cropping pattern of wheat and paddy, adoption of high yield variety of crops, pollution and contamination of surface water besides its easy availability and uncontrolled use. As regards non-completion of installation of E-bores, the Executive Engineer, Water Resources Investigation Division, Chandigarh attributed it to paucity of funds.

3.1.9 Execution of works

3.1.9.1 Under utilisation of irrigation potential due to non-completion of project

Kandi[17] Canal, having a length of 130 kms, (discharge of 500 cusecs), off-taking from Mukerian Hydel Channel at RD 5575M/L was proposed to be constructed in two[18] stages which were complementary to each other. Stage-I including irrigation system designed for 22594 hectare was completed in 1998 at a cost of Rs 109.92 crore.

The State Government accorded administrative approval to Kandi Canal Stage-II for extending irrigation facility to 29527 hectare in July 1998. As of March 2007, only 25 Kms of canal against total length of 70.50 Kms was constructed after incurring total expenditure of Rs 52.26 crore.

Delay in taking up of Kandi canal stage-II resulted in increase in cost of canal by Rs 128.48 crore and short utilization of stage-I irrigation potential

Due to non-completion of Stage-II of the canal, against designed discharge of 500 cusecs only 242 cusecs could be released in already constructed Stage-I leading to creation of irrigation potential of 15695 hectare against envisaged 22594 hectare. Further, even the created potential was irrigated to the extent of 35.51 *per cent* only, as during 2002-06 against created potential of 62780 hectares (15695x4) only 22294 hectare were actually irrigated.

Further, the cost of the Stage-II also increased by Rs 128.48 crore from Rs 147.13 crore (May 1997) to Rs 275.61 crore (January 2007). Due to coverage of lesser area under irrigation the projected potential increase in crop production of Rs 384.89 crore could not be achieved.

On being pointed out (January 2007), Executive Engineers concerned admitted the facts.

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[17] **Sub mountainous area i.e Shivalik foothills.**

[18] **Stage-I: 0 to 59.5 kms. up to Hoshiarpur and Stage-II: 59.5 to 130 kms. from Hoshiarpur to Balachour.**

3.1.9.2 Slow progress in construction of dam

Shahpur Kandi Dam (SPKD) was to act as a balancing reservoir for the discharge from Ranjit Sagar Dam (RSD) to the existing Upper Bari Doab Canal (UBDC) system. It was also to generate 1042.92 million units of electricity per annum and create additional irrigation potential of 5000 hectares in Punjab. The completion of SPKD was required to be completed with RSD by March 2001. The total cost of the project (Rs 1,324 crore) was to be shared between GOI and Punjab in the ratio of 2:1.

Delay in completion of Shahpur Kandi Dam led to delay in creation of irrigation potential and power generation potential

GOI released CLA of Rs 16.16 crore during 2002-03. The State Government released this along with its share of Rs 8.08 crore after three years during 2006-07. Therefore, GOI did not provide CLA between 2003 and 2007 so the project also remained incomplete even after incurring an expenditure of Rs 80.27 crore (March 2007). The cost was revised to Rs 1,945 crore (September 2005 price level). Thus due to slow progress of work the aim of generating 6257.52 million units of power and creating irrigation potential of 5000 hectares could not be achieved.

On being pointed out (May 2007), CE SPKD attributed (May 2007) the reasons to paucity of funds.

3.1.9.3 Additional liability due to short release of state share

With the construction of Mukerian Hydel Channel and Shah Nehar Barrage on Beas, existing *Kuhls* irrigation system off-taking from river Beas irrigating 3465 hectares area falling in the Himachal Pradesh (HP) became inoperative. To provide irrigation facilities to 3465 hectares and additional 11822 hectares of potentially irrigable area, the Government executed (August 1983) an agreement with HP. As per agreement, HP accorded administrative approval (June 1997) to the project titled "Irrigation to HP below Talwara" costing Rs 143.32 crore which was to be shared between Punjab and HP in proportions of 61.74 *per cent* (Rs 88.49 crore) and 38.26 *per cent* (Rs 54.83 crore).

Short-release of State share in a joint project resulted in additional liability of Rs 86.45 crore

Scrutiny of the records (March 2007) of the EE, Shah Nehar Headworks Divisions, Talwara disclosed that against the share of Rs 88.49 crore, Punjab provided Rs 60.01[19] crore upto July 2007 though HP released its full share of Rs 54.83 crore upto 2003-04. Delay in payment of full share necessitated revision of estimate to Rs 283.33 crore (price level 2004), raising share of Punjab to Rs 174.94 crore resulting in avoidable financial burden of Rs 86.45 crore on State exchequer, which is likely to increase further as CWC directed HP to update project cost at 2007 price level.

On being pointed out (March 2007), EE admitted (March 2007) the facts.

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[19] **Transferred Rs 51.73 crore and work executed of Rs 8.28 crore (Rs 29.50 crore upto March 2004).**

3.1.9.4 Blockage of funds

The State Government accorded administrative approval (April 2000 to November 2001) to three[20] projects estimated at Rs 27.28 crore.

Scrutiny of records (November 2006 to March 2007) of EEs[21] disclosed that:

Delay in completion of projects led to blockage of Rs 34.59 crore

- Thana Dam project costing Rs 19.81 crore, scheduled to be taken up in December 2003 was taken up in December 2005. The loan for the project from NABARD was obtained in February 2005. The cost of the project increased to Rs 27.76 crore due to price escalation. The dam was completed at a cost of Rs 26.86 crore but related irrigation works remained incomplete (July 2007).
- Phul and Raike distributory systems were to be remodelled in some reaches to increase capacity by 20 *per cent*. During 2001-03, work of Rs 1.88 crore out of Rs 6.36 crore was executed. For execution of balance work, Government accorded revised administrative approval of Rs 9.87 crore in September 2006. The Department incurred expenditure of Rs 7.55 crore but the work remained incomplete (July 2007).
- Dharangwala minor (length 23660 feet) was administratively approved (June 2001) for providing better irrigation to an area of 3230 acres. The total cost of the minor was Rs 1.11 crore. The work of first 5000 feet was completed at a cost of Rs 0.18 crore. The balance work remained unexecuted due to paucity of funds (July 2007).

Delay in completion of these projects after incurring expenditure up to 89 *percent* of the revised cost resulted in forfeiture of targeted benefits and blockage of funds to the tune of Rs 34.59 crore.

The EEs attributed (November 2006 and March 2007) the delay to non-availability of funds.

3.1.9.5 Unfruitful expenditure due to faulty design of works

The CE approved (October 1994 and October 1997) construction of two new minors (Gurusar and Abhun) taking from Malookpur and Jhandwala distributaries respectively and remodelling of Shikar reclamation distributory (July 2001) for providing better irrigation facilities in a total of 6884 acres of land.

Scrutiny of records (November 2006–March 2007) of EEs[22] disclosed that:

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[20] **Thana Dam and its appurtenant works (Rs 19.81 crore), Remodeling and rehabilitation of Phul (Rs 4.56 crore) & Raike (Rs 1.80 crore) distributory systems and construction of Dharangwala minor (Rs 1.11 crore).**

[21] **Janauri Chohal Construction Division, Hoshiarpur, Bhatinda Canal Division, Bhatinda and Abohar Canal Division, Abohar.**

[22] **Abohar Canal Division, Abohar; Eastern Canal Division, Ferozepur and Madhopur Division UBDC, Gurdaspur.**

Construction of minors without ensuring water in the parent distributory and running a channel without aqueduct to restore supply resulted in unfruitful expenditure of Rs 2.26 crore

- Gurusar minor completed in 1999 at a cost of Rs 0.99 crore was lying unused as provision of working head of Malookpur distributory to feed the minor were not initially provided and a necessary railway siphon was not built. EE demanded (March 2007) Rs 2.28 crore to raise parent distributory and construct railway siphon. Rs 0.44 crore received for Railway siphon were deposited with Railway authorities. However, balance funds to raise parent distributory were still awaited (July 2007).
- Abhun minor completed in April 1998 at a cost of Rs 0.94 crore was lying unused as raising of its parent distributory (Jandwala) to feed the minor was not provided for in the original estimate. Revised estimate framed (October 2001) for Rs 1.42 crore but funds had not been provided (July 2007).
- Shikar reclamation distributory remodelled (2002) at a cost of Rs 0.33 crore was running with 12 cusecs water against enhanced capacity of 45 cusecs because provision of replacing pipe of 5 cusecs with an aqueduct to carry 21 cusecs discharge at RD 21032 crossing over Landa Nalla was not provided for in the approved project. Neither the estimate to construct aqueduct has been sanctioned nor the funds provided (July 2007).

Non-release of funds for remedy of omissions committed in project preparation at initial stage rendered expenditure of Rs 2.26 crore as unfruitful. The potential for irrigating 6884 acres of land and accompanying benefits envisaged could not be realized.

On being pointed out (November 2006 & March 2007), EEs attributed the reasons for non-initiating remedial measure to non-receipt of funds.

3.1.9.6 Non-functional drainage schemes

The Government sanctioned 13 lift drainage schemes estimated at Rs 2.56 crore (November 1999) in order to provide outfall to the rain water collected in large depressions causing water logging.

Unfruitful expenditure of Rs 1.68 crore on non-functional schemes

Scrutiny of the records (February 2007) of EE, Mansa Drainage Division, Mansa disclosed that as per completion report submitted (May 2005) to Superintending Engineer, out of these 13 lift drainage schemes estimated at a cost of Rs 2.56 crore, nine were completed (2001-02) at a cost of Rs 1.17 crore and leaving four schemes incomplete. In the four incomplete schemes, civil works costing Rs 0.51 crore were completed in December 2002, but mechanical and electrical works could not be taken up (March 2007). Nine completed lift drainage schemes also remained non-functional since 2002 due to disconnection of electricity. Department did not provide funds (February 2007) despite repeated demands submitted by the EE to make these schemes functional.

Failure of the Department to provide funds for payment of electricity bills and for incomplete schemes resulted in unfruitful expenditure of Rs 1.68 crore.

On being pointed out (February 2007), EE stated (February 2007) that the schemes will be made operational on receipt of funds.

3.1.9.7 Execution of deficient contracts

State Government notified (July 2001) 136 sites on various canal systems for setting up Mini Hydel Projects through private sector on Build, Operate and Own (BOO) basis. The Department entered into a tri-partite agreement with Punjab Energy Development Agency (PEDA) and private promoters for these projects. As per agreement, the promoter was to pay lease money at the rate of Rs 90,000 per annum for 33 years initially, which was extendable on mutual basis and cess at a rate of one paisa per unit of electricity generated and also would compensate the loss of revenue to Department equal to the latest annual auction bid of each site where the closure of functional water mill was necessitated for setting up of MHP.

Deficient contracts resulted in non-recovery of Rs 39.14 lakh from private promoters

Audit scrutiny (November 2006) of records of EE, Bathinda Canal Division, Bathinda disclosed that three agreements were entered into (August 2001) with M/s Aqua Power Limited (private promoter) for installing MHPs at three[23] sites. The lease money amounting to Rs 1.80 lakh (Lohgarh and Sidhana); cess amounting to Rs 3.39 lakh (Chak Bhai and Lohgarh) and compensation amounting to Rs 33.95 lakh was not paid by the private promoter (November 2006). Further, in case of delayed payment of lease amount, provision of interest at the rate of 15 *per cent* per annum was made but no such condition was included in the agreement for delayed payment of cess and compensation. This resulted in loss of interest of Rs 9.03 lakh as of March 2007. Presently arrears of Rs 39.14 lakh were pending against private promoters for lease, cess and compensation.

On being pointed out (November 2006), EE stated that the agreement was formulated at higher level.

3.1.9.8 Inordinate delay in reclamation of land

With a view to reclaim 9559 acres in a period of 15 years, Kahan Singh Wala Reclamation Channel off-taking from Main Branch of Ferozepur feeder and having a length of 58000 feet was completed in 1983-84.

Delayed proposal of link channel resulted in non-reclamation of 6987 acres of land

Scrutiny of the records (November 2006) of EE, Eastern Canal Division, Ferozepur disclosed that ever since completion of channel, full supply level could not be maintained due to long length, loamy sandy area and paucity of funds for maintenance. As such only 2572 acres was reclaimed and 6987 acre of land was not reclaimed. The Department did not take any action to reclaim balance 6987 acre of land for 22 years. A link channel for this purpose was proposed (June 2006) at an estimate of Rs 1.02 crore off-taking at RD 42450/L of Nizamwah Distributory to join at RD 38825/R of Kahan Singh Wala reclamation channel. However, funds were awaited (July 2007).

As a result even though more than two decades have passed 6987 acres of land is yet to be reclaimed.

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[23] **Chak Bhai, Lohgarh and Sidhana.**

EE admitted (November 2006) the facts and informed that the work of link channel was still under consideration.

3.1.9.9 Sale of surplus land

With a view to mobilize revenue for irrigation and drainage works in the State, Government decided (February 1998) to dispose of surplus land and abandoned Canal Rest Houses (CRH) of Irrigation Department by way of auction on market rates. As per terms and conditions of auction, successful bidders were required to deposit 10 *per cent* at the fall of hammer, 25 *per cent* within 60 days of auction and balance either in lump sum or in four equated annual installments. The possession was to be handed over on receipt of 25 *per cent* of bid amount.

Non recovery of bid amount of Rs 1.03 crore.

Scrutiny of records (November 2006) relating to auction in two divisions disclosed that 59 sites (28 in Bathinda Canal Division, Bathinda and 31 in Eastern Canal Division, Ferozepur) were identified as surplus/ abandoned. Out of these, the Department auctioned 48 sites between June 1998 and February 2000 for Rs 4.50 crore and failed to auction remaining 11 sites involving 58.01 acres of surplus land as no bid above or equivalent to the reserve price was received. Whereas total bid amount of 26 sites was received, the bid amount of Rs 1.03 crore for remaining 22 sites was not recovered (November 2006). Out of these 22 sites, 14 sites (auctioned at a cost of Rs 0.82 crore) remained in the possession of bidders though Rs 0.45 crore was still recoverable.

On being pointed out (November 2006), EEs stated that appropriate action will be taken. Further developments were awaited (May 2007).

3.1.9.10 Non-payment of rent in time

Chandigarh Administration allotted (December 1992) 11171 square yards land to Irrigation Department on leasehold for 99 years at annual ground rent of Rs 4.19 lakh payable in December every year.

Non-payment of ground rent resulted in avoidable payment of interest of Rs 28.16 lakh

Scrutiny of records (December 2006) of CE disclosed that Department did not pay ground rent since 1999 as the provision of ground rent was omitted in annual budget continuously for seven years. When the Chandigarh Administration issued notice (November 2005), the CE made the payment (June 2006) of Rs 61.68 lakh which included Rs 28.16 lakh as interest by diverting funds from other heads. Non-provision of ground rent in the budget estimates resulted in avoidable payment of interest.

On being pointed out (December 2006), CE admitted the facts.

3.1.9.11 Avoidable interest payment

Under the provisions of Land Acquisition Act 1894, (Act) Land Acquisition Officer (LAO) is required to announce an award within two years from the date of publication of declaration for acquisition of land. The market value is determined as on the date of publication of notification under Section 4 of the Act and if compensation so assessed is not paid before taking over possession of land, the amount due is payable with interest from the date of taking possession of land till payment is made to the land owners.

Audit scrutiny of records of LAO (September 2006) and EE, Bhatinda Canal Division, Bhatinda (November 2006) disclosed that in the cases detailed below awards were declared with a delay ranging between 26 and 65 months resulting avoidable payment of interest.

(Rupees in lakh)

Name of work	Dates of Notification under section 4 and declaration under section 6 of the Act	Area of land acquired (in acres)	Date of award/ Delay from date of declaration (in months)	Cost of land (in rupees)	Month of payment/ Delay from date of award (in months)	Interest
Construction of Ring Bundh RD-39060-41350 of 3-L Budh River Sutluj village Shana(LAO Patiala)	12.09.1995 20.11.1995	3.17	21.03.03 65 M	1,21,494	10/2004 18 M	1.00 0.27
Construction of Ring Bundh on River Sutluj 3-L Bundh RD-26500 to 29700 village Sultarnpur (LAO Patiala)	10.01.1997 04.02.1997	6.25	21.03.03 50 M	8,65,000	10/2004 18 M	5.41 1.95
Construction of Ring Bundh RD-26500-29700 3-L Bundh River Sutluj Village Saidpur (LAO Patiala)	10.01.1997 4.02.1997	1.63	21.03.03 50 M	3,13,750	10/2004 18 M	1.96 0.71
Strengthening of banks of Bhadour Minor RD-99564-107723 Village Kotha Guru (Xen,Bathinda Canal Division Bhatinda)	10.02.1999 03.06.2000	3.67	02.08.04 26 M	11,57,812	08/2004	6.08
Total						**17.38**

The LAO delayed the announcement of the award and the EE delayed payment within the stipulated period as provided in the Act, the Department had to pay interest of Rs 17.38 lakh to land owners.

On being pointed out (September and November 2006), EE attributed the delay on the part of the LAO.

3.1.10 Material Management

3.1.10.1Non-disposal of surplus spares

Non-disposal of surplus spares worth Rs 1.86 crore

Material/ spare parts valuing Rs 1.07 crore lying with Shah Nehar Headworks Division, Talwara declared surplus (October 1987) by the Department were yet to be disposed off. Similarly, surplus spare parts purchased in 1985-86 valuing Rs 0.79 crore lying in Jalandhar Mechanical Drainage Division, Nangal Township were also awaiting disposal (May 2007). Delay in disposal of material would add to losses due to deterioration in condition of spares with the passage of time and vagaries of nature.

3.1.10.2 Under-utilisation of machinery

Irrigation Department is equipped with four Drainage Mechanical Divisions stationed at Amritsar, Ferozepur, Nangal and Rajpura for construction and maintenance of drains and canals.

Short utilization of departmental machinery resulted in unproductive expenditure of Rs 13.30 crore on establishment

In one[24] division test checked, a fleet of 22 draglines and excavators scheduled for 84480 working hours during 2002-06[25] with cost of establishment as Rs 11.97 crore and crew charges of Rs 9.26 crore, were actually put to use for 31512 hours only, thereby resulting in short utilization by 62.70 *per cent.* The amount spent on the spares and repair of these machines worked out to Rs 1.27 crore during the period. Short utilization of draglines rendered the cost of establishment and crew amounting to Rs 13.30 crore (Rs 7.50 crore + Rs 5.80 crore) unproductive calculated on pro-rata basis.

The EE admitting (January 2007) the facts blamed the civil divisions for not allotting works to mechanical divisions.

3.1.10.3 Non-recovery of crew charges

As per Central Water Commission (CWC) Guidebook[26] crew charges are to be counted as expenditure for working out hourly use rate of machinery.

Non-inclusion of crew charges in the operational cost of departmental machinery resulted in non-recovery of Rs 3.43 crore

Audit scrutiny of records (January 2007) of EE Jalandhar Mechanical Division, Nangal Township disclosed that expenditure of Rs 9.26 crore incurred as wages of crew during 2002-07 were not included in hourly use rate of draglines while preparing the estimates. Therefore, lower rates were charged from clients for use of machinery and Rs 3.43 crore[27] remained un-recovered as draglines were utilized to the extent of 37 *per cent* only.

On being pointed out (January 2007), EE stated that due to regularization of the posts of work charged staff, salary of crew was not being included in the estimate. The reply was not acceptable as it was in violation of the CWC guidelines and resulted in loss to the Department for not charging machinery's rate on the basis of cost involved.

3.1.11 Manpower Management

3.1.11.1 Excess expenditure on establishment

During 2002-06 the establishment expenditure has been far in excess of prescribed norms

Departmental Financial Rules [28] (DFR) provides that percentage for establishment be fixed to 25 *per cent* per 100 rupee of outlay on works.
The expenditure on establishment and works for the period 2002-06 are given in the table:

(Rupees in crore)

Year	Total expenditure	Expenditure on establishment	Expenditure on Works	Other expenditure	Percentage of expenditure on establishment to expenditure on works
2002-03	841.01	477.40	276.60	87.01	173
2003-04	690.83	513.05	79.68	98.10	644
2004-05	728.34	510.10	209.85	8.39	243
2005-06	987.68	583.22	316.81	87.65	184
Total	**3247.86**	**2083.77**	**882.94**	**281.15**	

24 **Jalandhar Drainage Mechanical Division, Nangal Township.**
25 **Manufacture accounts for the year 2006-07 are awaited.**
26 **Paragraph 2.4.2.2(ii) of CWC Guidebook.**
27 **Rs 3.43 crore being 37 *per cent* of Rs 9.26 crore.**
28 **Appendix-2 of Departmental Financial Rules.**

Scrutiny of records of CE disclosed that against laid down norms of 25 *per cent*, percentage of expenditure on establishment ranged between 173 *per cent* and 644 *per cent* during 2002-06.

The reply of the Department was awaited (June 2007).

3.1.11.2 Idle establishment

Punjab Irrigation Management Training Institute (PIMTI) was established at a cost of Rs 3.84 crore to impart training to newly recruited staff and refresher courses for senior staff/ officers.

Non-imparting departmental training and non-carrying out the research activities resulted in unfruitful expenditure of Rs 27.43 crore

Scrutiny of records (December 2006) of Institute disclosed that against the target of 80 training courses (16 courses per year), PIMTI did not hold even a single course during 2002-07. This resulted in unfruitful expenditure of Rs 0.81 crore incurred during 2002-07 on staff[29] posted in PIMTI and infrastructure created at a cost of Rs 3.84 crore remained idle defeating the purpose of creation of institute.

Similarly expenditure of Rs 26.62 crore incurred on pay and allowances of idle establishment[30] of Director, Irrigation and Power Research (DIPR) during 2003-07 proved wasteful as no funds were provided for research works such as survey of small reservoir, effect of mini power plants on canals, utilisation of fly ash of thermal plants, study of ground water contamination, recharging of ground water etc. thereby defeating the purpose for which DIPR was established.

On being pointed out (December 2006), DIPR, Amritsar also attributed this to non-release of funds.

3.1.12 Other issues of interest

3.1.12.1 Pending tawan cases

As per Canal and Drainage Act, 1873, persons stealing canal water shall be penalized up to 25 times of water rate *(tawan)* in addition to the originally occupier rate/ water rate leviable on the Culturable Command Area (CCA).

Non-realization of Rs 66.92 lakh as tawan

Audit scrutiny (January and March 2007) of records of two[31] divisions disclosed that against total 6879 cases, 6185 cases were decided by Divisional Canal Officers (DCOs) between April 2002 to March 2007 and a *tawan* of Rs 69.13 lakh was levied, of which only Rs 2.21 lakh had been recovered (March 2007), leaving a balance of Rs 66.92 lakh unrecovered. These recoveries were also not shown as outstanding in any of the statement sent to higher authority/State Government. Divisional Canal Officer Madhopur Division UBDC, Gurdaspur did not even prepare *khatunies* to enable the

29 **Associate Professor: 5, Assistant: 1, Divisional Head Draftsman: 1, Draftsman:1, Librarian: 1 and Peon: 2.**

30 **Gazetted : 40, Non-Gazetted: 340 and Temporary: 268.**

31 **Devigarh Divison (IB) Patiala, Madhopur UBDC Division, Gurdaspur.**

collector to collect revenue. Thus, failure of DCOs to monitor the progress of recoveries of *tawan* cases deprived the state of revenue of Rs 66.92 lakh.

On being pointed out (January-March 2007), DCOs stated that they were still in the process of making efforts to collect the revenue.

3.1.12.2 Poor follow up of complaints

The Chief Engineer, Vigilance and Quality Control, Punjab, Patiala (CE) is entrusted with the work of conducting technical examination of works and to investigate complaint cases. The EE, Vigilance and Quality Control, Amritsar (EE) intimated that as per Government orders (January 1989) case files relating to technical examination of works and vigilance investigation were not subject to statutory audit. Thus, due to non-production of case files, the extent of the administrative vigilance and quality control of the works executed by the Department could not be checked in audit.

Discouraging response of Government in taking action against defaulting officers/officials

Test check of returns (December 2006) submitted to the CE and Government by EE disclosed that of 249 complaint cases received up to November 2006 for scrutiny, of which 231 cases were investigated. As an outcome of investigation 17 cases pertaining to embezzlement, irregular tendering, diversion of funds and violation of rules, etc. involving 31 officers and six officials were referred to Government between September 1990 and August 2006 for taking punitive action against the defaulters. Government pursued only six cases and no action was taken in the remaining 11 cases despite lapse of a period ranging between seven months and 17 years.

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

3.1.12.3 Non-conducting of inspection

Failure of the Divisional Officers in conducting required inspection indicated ineffective internal control

During the period 2002-07, 10[32] EEs were required to conduct 175 inspections according to the Irrigation Manual of orders but carried out 74 inspections only resulting in shortfall of 58 *per cent,* this would compromise the monitoring of sub-divisions.

On being pointed out (January and March 2007), the EEs assured compliance in future.

3.1.13 Conclusion

Performance audit of Irrigation Department disclosed cases of financial, planning and programme mismanagement. Nine projects approved in annual plans were not implemented depriving irrigation potential of 3.27 lakh hectares instead three projects not included in the annual plans were executed

[32] **Abohar Canal Division, Abohar, Bathinda Canal Division, Bathinda, Bari Doab Drainage Division, Amritsar, Canal Lining Division (CC), Ferozepur, Canal Lining Arrear Division, Tarn Taran at Amritsar, Devigarh Division (IB) Patiala, Eastern Canal Division, Ferozepur, Investigation Division (J), Hoshiarpur, Madhopur UBDC, Gurdaspur, Shah Nehar Headworks Divison, Talwara.**

indicating poor planning. Increase in installation of tubewells rendered 103 blocks overexploited, five blocks critical and four blocks semi critical out of 137 blocks in the State. Delay in providing funds, construction of minors without adequate survey resulted in unfruitful expenditure of Rs 2.26 crore. Failure to restore electric connections and completion of lift drainage schemes resulted in unfruitful expenditure of Rs 1.68 crore. Short utilization of departmental machinery resulted in unproductive expenditure of Rs 13.30 crore on establishment and non-inclusion of crew charges in the operational cost of machinery resulted in non-recovery of Rs 3.43 crore from client departments/agencies.

Recommendations

- The Department should focus on completion of irrigation and power generation projects in a time bound manner;
- Effective steps should be taken to regulate exploitation of underground water through tubewells and
- Human resources and available infrastructure should optimally be utilized.

The above points were reported to Government (May 2007); reply has not been received (July 2007).

3.2 Central Road Fund for Development of State Roads in Punjab

Highlights

PUBLIC WORKS DEPARTMENT (BUILDINGS AND ROADS BRANCH)

Performance audit of utilization of Central Road Fund (CRF) for development and maintenance of State roads in Punjab revealed deficiencies in financial and programme management besides inadequate monitoring and lack of internal control. Rupees 103.63 crore accrued to State Government from CRF were forfeited due to transfer of work to Build, Operate and Transfer (BOT) scheme. Defective proposals and change of specifications resulted in irregular expenditure of Rs 2.36 crore. Expenditure of Rs 4.92 crore on acquisition of land and development of National Highway in contravention of the guidelines of Ministry of Road Transport and Highways was also incurred.

- ***The State Government did not draw Rs 103.63 crore from its credit in CRF and transferred work of State Highway on Build, Operate and Transfer basis to a private agency burdening the general public with levy of toll tax.***

(Paragraph 3.2.7.1)

- ***Rs 4.92 crore from CRF were utilized irregularly on land acquisition and development of National Highway in contravention of GOI instructions.***

(Paragraph 3.2.7.3 and 3.2.7.4)

➢ ***Irregular change in specifications of the sanctioned estimate resulted in extra expenditure of Rs 1.26 crore.***

(Paragraph 3.2.8.2 and 3.2.8.3)

3.2.1 Introduction

The Central Road Fund (CRF) was created for the purpose of construction of missing bridges, cross drainage works, rehabilitation of bridges, widening to two lanes, strengthening of weak pavement section, improvement of riding quality/periodical renewal of selected stretches of State Highways (SH), Major District Roads (MDR) and Other District Roads (ODR), improvement of traffic junctions, construction of bye passes, parallel service roads along NH/SH in built up areas. It is a reserve fund in the public account of Government of India (GOI) and is fed through a cess levied on sale of petrol and diesel. The funds collected are transferred to States. The share of the state is decided by the Central Government. GOI, Ministry of Road Transport and Highways (MORTH) release funds on the basis of approved projects to states through Reserve Bank of India.

About 1466 kms SHs, 1635.68 kms MDRs and 4219.10 kms ODRs exist in the State. Out of the share from CRF, 651 kms SHs, 438 kms MDRs and 106 kms ODRs were improved during 2002-07.

3.2.2 Organizational set up

The Secretary PWD (B&R), Punjab is the overall in-charge of the Department. He is assisted by Chief Engineer (CE) National Highways, Public Works Department PWD (B&R), Punjab, Patiala being responsible for the works approved under CRF scheme. CE is assisted by 13 Superintending Engineers (SEs). The works are executed in field by 34 Public Works and Central Works Divisions each headed by an Executive Engineer (EE). The MORTH monitors the execution of CRF works.

3.2.3 Audit objectives

The objective of audit was to assess whether:

➢ the funds received were utilized in an economical and efficient manner and for the intended purposes;

➢ proper survey was done to avoid subsequent changes in scope of work leading to extra payments or works remaining incomplete;

➢ proper planning was done to optimize the utilization of available resources and;

➢ quality control mechanism was in place.

3.2.4 Audit Criteria

The audit was conducted with reference to the guidelines issued by MORTH, provisions laid down in Punjab PWD Manual and Punjab Financial Rules and instructions issued by Chief Engineer regarding specifications for the execution of works.

3.2.5 Scope of audit and methodology

The audit of CRF was conducted between November 2006 and March 2007 through a test check of the records of Secretary, PWD (B&R), Punjab, Chandigarh, CE, SE Central Circle cum Nodal Officer Chandigarh, 13 PWD Divisions (out of 34) and Municipal Corporation, Jalandhar covering the period 2002-07 with reference to the records maintained for implementation of CRF and progress reports of CRF works etc. The units audited were selected through random sampling.

3.2.6 Funding Pattern

Funds accrue to the State Government out of share of CRF. GOI releases instalments restricted to the extent of expenditure incurred by State Government for which utilization certificate (UC) is submitted to GOI. Further, the cost of scheme to be approved shall be limited to ensure that the bank of (i.e. total) sanctions at any point of time does not exceed two times the annual accruals for the State. The details of funds allocated by GOI and utilized by the State during the period 2000-07 are as follows:

(Rupees in crore)

Year	Amount of accruals	Amount of Administrative Approvals	Funds released by GOI	Funds released by Finance Department	Expenditure incurred	Short releases
2000-04[33]	163.03	160.80	107.38	78.72	107.78	82.08
2004-05	37.36	34.76	28.66	34.02	21.88	0.74
2005-06	63.05	61.15	24.03	47.33	27.64	13.82
2006-07	62.56	46.89	62.30	62.30	61.80	-15.41
Total	**326.00**	**303.60**	**222.37**	**222.37**	**219.10**	**81.23**

The above position showed that the State had a credit of Rs 103.63[34] crore out of accruals of Rs 326.00 crore because the State had got proposals approved administratively for Rs 303.60 crore only against which GOI released Rs 222.37 crore.

On being asked (March 2007) the SE-cum-Nodal Officer CRF (works) stated that the State could not fully utilize the funds (administratively approved by GOI) due to delay in release of funds by the Finance Department, Punjab and non-passing of bills by the Treasury officers.

3.2.7 Financial Management

3.2.7.1 Taking up work on BOT even though CRF credit was available

Executing work on BOT basis instead of under CRF fund credit

Though the State had a credit of Rs 103.63 crore in CRF yet the work– "Upgradation, operation & maintenance of Balachaur-Garhshankar-

33 **CRF revamped in 2000 with enactment of CRF Act 2000. Funding position taken up from 2000-01 to 2006-07.**

34 **Rs 326.00 crore – Rs 222.37 crore= Rs 103.63 crore.**

Hoshiarpur-Dasuya road (SH 24)" was awarded (May 2005) to an agency[35] on Build, Operate and Transfer (BOT) basis at a cost of Rs 102.01[36] crore. The agency is to recover the cost of project (investment) alongwith profits and interest etc. by imposing toll tax on general public in next 17 years.

On being asked (May 2007) the CE intimated (July 2007) that it was prerogative of the State Government to allot work on BOT. The reply was not acceptable because executing the road work on BOT burdened the public with toll tax, even though Government had CRF credit which could have been availed.

3.2.7.2 Expenditure on road improvement after transferring it under BOT to private party

Rs 2.60 crore spent on road after taking decision to transfer road under BOT basis

Scrutiny of records (November 2006) of Executive Engineer, Construction Division, Sirhind (EE) disclosed that the work "Improvement of Nabha-Gobindgarh road km. 22.00 to 37.15" was administratively approved (December 2005) for Rs 7.59 crore. Though the balance in CRF was sufficient to pursue the work the Department decided (February 2006) to transfer the work to an agency[37] on BOT basis. The agency would recover the cost of project (investment) alongwith profits and interests by imposing toll tax on vehicles of general public. Further, after taking decision (February 2006) to allot the work on BOT, the Department allotted (March 2006) the work of laying 30mm semi dense bituminous concrete (SDBC) to an agency[38] at a cost of Rs 2.22 crore at the cost of Government on the plea to make the road traffic worthy and spent (June 2006) Rs 2.60 crore. Since a decision had been taken to hand over the work on BOT basis, execution of part works on the road by the Department at Government expenses was not prudent. Further, the *ibid* decision of the Government had not only burdened the public by levy of toll tax but the transfer of work on BOT basis deprived the State Government of Central Road Fund. The BOT work is still under execution (July 2007).

On being asked (May 2007) the CE intimated (July 2007) that the SDBC was laid to keep the road traffic worthy. The reply was not acceptable because the work on BOT has been allotted in February 2006 and the work of laying of SDBC allotted in March 2006 which was to be done at the cost of BOT agency and not Government.

3.2.7.3 Central Road Funds utilized on NH against guidelines

As per guidelines (July 2001), the estimates for land acquisition for any road and for construction of National Highway (NH) are not to be considered for expenditure under CRF scheme.

35 M/s Rohan Rajdeep Tollways Ltd.

36 Out of total project cost of Rs 164.36 crore, Rs 102.01 crore were to be invested by agency and Rs 62.35 crore as grant by State Government.

37 M/s. TCIL, New Delhi.

38 M/s. J.K. Associates, Sangrur.

Rs 1.06 crore spent on improvement of National Highway in disregard to GOI instructions

Scrutiny of records (December 2006) of Executive Engineer, Central Works Division, Ferozepur (EE) disclosed that in contravention of guidelines the work of "Hard shouldering in km. 227.800 to 229.250 and 229.750 to 235.300 Faridkot- Kotkapura Section", a NH was proposed to MORTH against which administrative approval was granted (September 2001) for Rs 1.07 crore and funds were released and an expenditure of Rs 1.06 crore had been irregularly incurred without obtaining technical sanction of estimate. The estimate for the work was sanctioned by CE subsequently in March 2007.

On being asked (May 2007) the CE intimated (July 2007) that the work was executed as per administrative approval accorded by MORTH. The reply was not acceptable in view of the fact that as per guidelines CRF earmarked for State road sector are not to be utilized on NH for which separate (57.5 *per cent*) allocation is made. Submission/approval of irregular proposal of upgradation of NH out of CRF resulted in irregular utilization of Rs 1.06 crore adversely affecting the CRF works.

3.2.7.4 Central Road Funds utilized on land acquisition.

Scrutiny of records (November 2006) of Executive Engineer NH, Division, Patiala (EE) disclosed that estimate for land acquisition for the construction of Southern Bye Pass at Patiala connecting Rajpura-Patiala with Patiala-Sangrur NH-64 was administratively approved (August 2002) for Rs 3.93 crore by the Ministry and technically sanctioned (March 2007) for Rs 3.86 crore. The Department paid (October 2002) Rs 3.86 crore to the land owners as compensation for acquiring land. This had resulted in irregular expenditure of Rs 3.86 crore on land acquisition.

Rs 3.86 crore spent on land acquisition irregularly in contravention of GOI instructions

On being asked (May 2007) the CE intimated that the administrative approval for acquisition of land was accorded under the guidelines issued in October 2000. The reply was not acceptable because guidelines issued in October 2000 were superseded in July 2001 which lay down that estimates for land acquisition and construction of NH are not to be considered for expenditure under CRF meant for State roads.

The Secretary, Public Works directed the CE (NH) to lodge claim for re-imbursement from the concerned Ministry in the above cases.

3.2.7.5 *Inflated proposals led to loss of central assistance*

According to CRF guidelines, cost of each work is to be based on actual requirements and cost estimates are prepared as per current schedule of rates.

GOI accorded administrative approvals (2000-07) for Rs 303.60 crore for 105 works against the proposals submitted by the Department. It was noticed that 12 of the 105 works administratively approved for Rs 24.39 crore were completed by the Department by spending only Rs 18.69 crore. This not only showed that the estimates were not realistic but also inflated besides the State Government was deprived of Rs 5.70 crore as no fresh proposal against this saving was sent to GOI.

On being asked (May 2007) the CE intimated (July 2007) that less expenditure was due to competitive rates in tenders. The reply was not acceptable because the percentage of savings ranged between 17 and 46 which did not justify that tenders were received at such a lesser rates.

3.2.8 Programme management

3.2.8.1 Blockage of funds

Guidelines (July 2001) provide that proposals for works taken under CRF should cover only those works where land is available without any encumbrance for which proper survey was required to be done before start of the work.

Failure of Department to acquire land prior to commencement of the work led to work remaining incomplete

Scrutiny of records (November 2006) of Executive Engineer, Construction Division No. 1, Mohali (EE) disclosed that the work "Widening of Chandigarh–Landran-Chunni Road in km. 9.70 to 24.07" was administratively approved (September 2001) for Rs 2.54 crore. The work was allotted (March 2002) to an agency[39] for Rs 1.53 crore. After awarding the work, action to acquire some portion of land under Section 4 of Land Acquisition Act was taken up (April 2002) with the concerned Sub Divisional Magistrate. The Department later noticed (May 2002) that some portion of the land belonged to Zila Parishad and the rest to private land owners. The land owners filed a case in High Court which is pending for decision. After spending Rs 1.10 crore, the agency had to stop the work (April 2004) because of the dispute of land in reach RD 13.600 to 15.700 km. (2.1 km.) and the work is lying incomplete (May 2007). As a result not only there was blockage of funds but also the intended purpose of providing free flow of traffic was not achieved.

On being asked, the CE intimated (July 2007) that there were no encumbrances at site at the time of submitting proposal to ministry. The reply was not acceptable because the encumbrances were in the notice of the Department since 1952.

3.2.8.2 Extra expenditure due to change in specifications

As per guidelines (July 2001), proposal of any work sent for seeking administrative approval should be supported with scope of work including specifications to be adopted in brief alongwith estimated cost of the work based on current schedule of rates.

Unauthorized change in approved specification resulted in extra expenditure of Rs 0.18 crore

Scrutiny of records (October 2006) of Executive Engineer, Provincial Division, Mohali (EE) disclosed that the work of raising/strengthening of Nurpur Bedi to Agampur Chowk-Jhajj Chowk to Garhshankar road which was administratively approved (October 2004) for Rs 5.46 crore by MORTH and technically sanctioned (February 2005) by CE for Rs 5.52 crore, provided for raising a portion of road with single layer of 150mm granular sub base (GSB), 150mm wet mix macadam (WMM), primer coat with 7.50kg/10sqm and 25mm SDBC. The work was allotted (March 2005) for Rs 5.29 crore to be

39 **M/s Alpha Construction Company, Ropar.**

completed by October 2006. The work was still in progress (June 2007) and paid for Rs 4.30 crore upto 9th running bill.

After award of work, the single layer (150 mm) of WMM was substituted with two layers of 75 mm water bound macadam (WBM) each and 40mm thick SDBC on the request of contractor that he was unable to control traffic to facilitate laying of WMM. Similarly, strengthening of road from RD 30.705 to 35.800 which initially provided in the estimate for laying of 150 mm thick WMM and 25 mm SDBC was subsequently replaced with 75 mm thick WBM (as existing crust of road was 225 mm) and 40 mm thick SDBC. The unauthorised change in the administratively approved design and specifications resulted in extra expenditure of Rs 17.82 lakh.

In response to the audit observation, the CE intimated (July 2007) that even after changed specifications expenditure was within administrative approval. The reply was not acceptable because post tender developments by change of specifications resulted in avoidable expenditure of Rs 17.82 lakh.

3.2.8.3 Deviation from standard specifications

As per instructions issued (September 2003) by CE for upgrading of roads[40] under CRF, 20mm thick premix carpet (PC) was to be laid on roads having existing pavement thickness of 150mm.

Deviation from standard specifications led to extra expenditure of Rs 1.08 crore

Scrutiny of records (January 2007) of Executive Engineer of Construction Division, Gurdaspur and Pathankot disclosed that CE (NH) technically sanctioned (January 2005 and December 2004) two works: (i) strengthening/ raising of Batala–Quadian–Kot Todarmal road, district Gurdaspur km. 0.00 to 22.13 and (ii) Batala–Kahnuwan Road (Batala to Sathiala village) km. 0.00 to 23.30 for Rs 5.09 crore and Rs 5.49 crore respectively. Both the works were allotted (January 2005) to contractors[41] and contained a provision of providing and laying 20mm thick PC as the existing thickness of pavement was 150 mm. During execution, the above specifications (PC) were changed (June 2005) to laying of 25mm thick SDBC in case of Gurdaspur and 30mm thick SDBC in case of Pathankot Divisions and estimates got sanctioned (June 2005) for Rs 5.21 crore and Rs 5.97 crore respectively. Failure of Department to follow its own standard specifications resulted in extra expenditure of Rs 1.08 crore (Rs 40.30 lakh + Rs 67.29 lakh).

In response to the audit observation, the CE intimated (July 2007) that laying of 25mm and 30mm SDBC was executed as per the site conditions. The reply was not acceptable because the deviation from the standard specifications after allotment of work had led to extra expenditure.

[40] **Under Phase IV.**

[41] **(i) M/s Satish Aggarwal & Company, Mukerian (ii) M/s Jagson Construction Pvt. Ltd., Pathankot.**

3.2.9 Quality Control

As per prescribed procedure, the Quality Control Cell (QCC) of the Department is required to conduct quality control check of the on going or completed works to ascertain the execution as per approved specification and provisions of the estimate and to ensure that the desired quality of the work has been attained. Out of test checked 25 works, it was noticed that in six works executed in six divisions, the QCC had not inspected the works to ascertain the execution as per specifications. It was also noticed in 13 test checked divisions that no inspection of the P W Divisions was conducted by the CE and concerned SEs during 2002-07 to evaluate the execution of CRF works as per approved specifications and completion within the scheduled time.

On being asked the CE intimated (July 2007) that QCC of the Department had checked the works at the time of execution and he himself had also inspected the works. The reply was not acceptable because as per information supplied by the divisions, the works were not inspected by the CE.

3.2.10 Conclusion

Planning was deficient as despite the availability of a credit of Rs 103.63 crore in CRF, roads were transferred on Build, Operate and Transfer basis to private agencies thereby burdening general public of levy of toll tax; Rs 4.92 crore were utilized out of CRF on land acquisition and development of National Highway against guidelines and change in specifications led to additional burden on State exchequer.

Recommendations

- The Government should utilize accruals of the CRF to the maximum;
- The areas of survey, planning and estimations need to be given more attention to avoid changes in scope of work or specifications at an advanced stage of execution so that works are not left incomplete or abandoned either due to land dispute or any other reason and
- Quality of works should be checked effectively during execution so as to avoid acceptance of defective or substandard works.

The matter was referred to Government (May 2007); the replies received (July 2007) were discussed in exit conference.

3.3 Cattle and Buffalo Development Programme

3.3.1 Introduction

ANIMAL HUSBANDRY DEPARTMENT

Livestock plays a very important role in the State economy. The State had a large population of 86 lakh livestock[42]. Animal Husbandry Department looks after the activities of animal production, health, feeding and management practices. The main objectives of the Cattle and Buffalo Development Programme is to improve the genetic potential through scientific methods. To achieve the above objectives, the Department undertakes artificial insemination (AI) and also maintains cattle breeding farms.

The Financial Commissioner and Secretary Animal Husbandry Department (Secretary) is the overall incharge of the Department assisted by Director Animal Husbandry (Director) who is the Head of the Department and controlling officer responsible for implementation and monitoring of programmes of the Department. The Director is assisted at the State level by five Joint Directors (JD) including Joint Director (JD), Regional Referral Diagnostics Laboratory (RDDL), Jalandhar and at district level by 24 Deputy Directors (DD) including DD (Statistics) at Chandigarh, DD Vaccine Institute Ludhiana and DD (Farms), Mattewara.

The records of the Directorate, eight districts[43] (out of 20 districts), JD RDDL Jalandhar four Farms[44] (out of six) and DD Vaccine Institute Ludhiana for the period 2002-07 was test checked between October 2006 and March 2007 to ascertain the effectiveness of the programme.

3.3.2 Programme Management

3.3.2.1 Improvement in quality of cattle

Non-utilization of funds of Rs 15.06 crore resulted in poor performance of AI programme

With a view to improve genetic potential of cattle through scientific breeding, the Department provides Artificial Insemination (AI) facilities such as frozen semen technique in 2661 out of 2852 veterinary institutions in the State. The main objective of National Project for Cattle and Buffalo Breeding Programme to be executed by Punjab Livestock Development Board (PLDB), for which GOI provided funds, was to provide AI services at the farmer's doorstep. Against the available funds of Rs 25.19 crore (GOI: Rs 12.82 crore: and purchee fee: Rs 12.37 crore), only Rs 10.13 crore were spent for the purpose. Inspite of surplus funds of Rs 15.06 crore with PLDB the performance of AI during 2002-07 was not satisfactory. The performance of AI programme is given in the table that follows:

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42 **Source: Census 2003.**

43 **Amritsar, Bathinda, Faridkot, Gurdaspur, Kapurthala, Ludhiana, Patiala and Sangrur.**

44 **Mattewara (Ludhiana), Nabha, Patiala and Ropar.**

(Figures in lakh)

Year	Cows				Buffaloes				Total	
	Breedable Cows	Targets	AI Performed	Per centage	Breedable Buffaloes	Targets	AI Performed	Per centage	Targets	AI Performed
2002-03	---	20.00	15.91	--	--	12.00	7.87	-	32.00	23.78
2003-04	9.17	20.00	15.46	169	32.49	12.00	8.46	26	32.00	23.92
2004-05	9.17	15.88	14.64	160	32.49	10.36	8.85	27	26.24	23.49
2005-06	9.17	18.00	13.91	152	32.49	12.00	8.65	27	30.00	22.56
2006-07	9.17	18.00	10.16	111	32.49	12.00	5.89	18	30.00	16.05
Total		91.88	70.08			58.36	39.72		150.24	109.80

Against the breedable population of 9.17 lakh cows and 32.49 lakh buffaloes, targets were fixed for 15.88 lakh to 20 lakh cows and 10.36 lakh to 12 lakh buffaloes. Against this, AI performed in case of cows during 2003-07 ranged between 111 and 169 *per cent* of total breedable cows and in case of buffaloes ranged between 18 to 27 *per cent* only which was very low. This indicated that the targets were not fixed as per available breedable cattle.

On being pointed out (April 2004), the Director stated that inspite of best efforts by the Department, the targets of AI in buffaloes could not be achieved as AI in buffaloes was not accepted by the farmers.

3.3.2.2 Low success of AI programme

The success rate of AI performed (2003-06) was low both in respect of cows and buffaloes. During 2003-06, the number of cows and buffaloes born is shown in the table below:

(Figures in lakh)

	2003-04			2004-05			2005-06		
	AI performed	Birth	Percent-age	AI performed	Birth	Percent-age	AI performed	Birth	Percent-age
Cows	15.46	4.49	29	14.64	3.55	24	13.91	3.14	23
Buffaloes	8.46	2.58	30	8.85	2.18	25	8.65	1.98	23

The success of the AI performed ranged between 23 to 29 *per cent* in respect of cows, while the same was between 23 and 30 *per cent* in respect of buffaloes. On being pointed out (October 2006), no reasons for the same were given by the Director.

3.3.2.3 Poor performance of buffalo bull mother farm

With a view to produce pedigreed bulls of exotic and cross bred breeds for cross breeding and for supply to semen bank, the Department maintains a buffalo bull mother farm at Mattewara since 1993-94 under cattle and buffalo development programme.

The main objective of the farm was to produce quality bulls for artificial insemination. The quality bulls would be from best milk producing mother buffaloes. The milk production at the buffalo bull mother farm during 2002-07 was as follows:

Year	Total No. of animals	No. of animals in Milk	Milk Production (Figures in tonnes)	Average Milk production (Figures in tonnes)
2002-03	181	30	101.603	3.38
2003-04	172	40	87.191	2.18
2004-05	191	41	85.959	2.10
2005-06	206	38	101.176	2.66
2006-07	271	73	100.184	1.37

Poor quality stock of mothers for production of bulls for feeding the semen bank

As can be seen, the average milk yield of per animal per year came down by 59 *per cent* from 3.38 tonnes in 2002-03 to 1.37 tonnes in 2006-07. The mother buffaloes maintained in the farm were not high milk producing. Thus, their offsprings would be of inferior quality and unsuitable for breeding or AI purposes. As a consequence, all three bulls transferred (December 2004) to semen bank, Nabha were rejected as the milk yield of their mothers was not upto the mark and thus these were not fit for semen bank.

On being pointed out, the Department attributed it to insufficient supply of green fodder during October 2006 to January 2007. The reply was not acceptable because milk production decreased sharply during 2003-04 and 2006-07 and fodder valuing Rs 4.56 lakh (green fodder: Rs 4.30 lakh and dry fodder: Rs 0.26 lakh) was also sold by the farm during 2003-07. This shows that the purpose of maintaining the farm was not being met.

3.3.2.4 Avoidable burden on state exchequer

Previously, bull attendants were appointed to look after bulls in veterinary hospitals and dispensaries. The Department had introduced (1972) frozen semen technology in place of natural breeding process and no bulls were kept in the veterinary hospitals/dispensaries.

Appointment of bull attendants without necessity led to avoidable financial burden of Rs 20.42 lakh

Audit scrutiny of records disclosed that out of 279 bull attendants working in eight test checked districts, 10 bull attendants[45] were appointed during 2002-06. The appointments of bull attendants as such resulted in avoidable financial burden of Rs 20.42 lakh on state exchequer on account of salary of 10 bull attendants paid during 2002-07.

On being pointed out (October 2006), the Director stated (October 2006), that DDs had made the appointments of bull attendants at district level. The reply confirmed lack of monitoring on the part of Director facilitating avoidable financial burden on state exchequer.

3.3.3 Conclusion

Poor performance of artificial insemination services despite surplus funds showed that the programmes were not implemented successfully. Buffalo

[45] **Amritsar (2), Ludhiana (3) and Patiala (5).**

bulls produced in farm did not qualify for supply of semen to semen bank. There was avoidable burden of Rs 20.42 lakh on state exchequer due to appointment of 10 bull attendants during 2002-07, although no bulls were kept in veterinary hospitals/dispensaries due to switching over to frozen semen technology in place of natural breeding process.

Recommendation

- Department should take steps to ensure successful implementation of AI programme.

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

3.4 Nutrition Programmes under Integrated Child Development Services (ICDS) Scheme and other schemes

SOCIAL SECURITY AND WOMEN AND CHILD DEVELOPMENT DEPARTMENT

3.4.1 Introduction

Government of India (GOI) launched (1975-76) ICDS with the objectives to (i) improve nutrition and health status of children, (ii) reduce the incidence of mortality, morbidity, mal-nutrition, (iii) enhance the capability of mothers to look after the health and nutritional needs of children, (iv) lay the foundation for proper psychological, physical and social development of the child and (v) achieve effective co-ordination for implementation of policy among various departments to promote child development. To achieve the objective of improving nutrition and health status three schemes - Supplementary Nutrition Programme (SNP); Kishori Shakti Yojana (KSY) and Nutrition Programme for Adolescent Girls (NPAG) are being implemented.

The Secretary of the Department of Social Security and Women and Child Development is overall incharge of the nutrition programme under ICDS and is responsible for its co-ordination and implementation through Director, Social Security and Women and Child Development(SSWCD) assisted by Programme Officers (POs), Child Development Project Officers (CDPOs) and Anganwadi Workers (AWs) in the field. From 2004-05 the Chief Executive Officer (CEO), Zila Parishad (ZP) is responsible for procurement of food articles to be provided under the Programme.

The records of Director, five POs (out of 17), five CEOs (out of 17), 56 CDPOs (out of 142) and 5641 AWs (out of 14730) for the years 2002-07 were test checked between October 2006 and March 2007 to ascertain effectiveness of programme.

3.4.2 Financial Management

The position of allocation of funds under these schemes for the years 2002-07, its release by Government and utilisation of funds (scheme-wise) is as under:

(Rupees in crore)

Year	Funds allocated by Government	Funds released by Government	Funds utilized by the Department	Short utilization	Percentage short utilization
i) Nutrition Programme for Adolescent Girls(GOI Scheme)					
2002-03	1.94	1.14	0.57	0.57	50
2003-04	4.47	0	0	0	NA*
2004-05	2.28	0	0	0	NA*
2005-06	2.28	1.30	0.65	0.65	50
2006-07	1.80	1.36	1.36	0	0
Total	**12.77**	**3.80**	**2.58**	**1.22**	**32**
ii) Supplementary Nutrition Programme (State Scheme)					
2002-03	6.18	6.18	0.39	5.79	94
2003-04	4.50	0	0	0	NA*
2004-05	17.00	17.00	13.51	3.49	21
2005-06	47.06	23.53	23.53	0	0
2006-07	55.66	55.66	46.06	9.60	17
Total	**130.40**	**102.37**	**83.49**	**18.88**	**18**
iii) Kishori Shakti Yojana (State Scheme)					
2004-05	0.50	0.50	0.50	0	0
2005-06	1.06	1.06	0.83	0.23	22
2006-07	2.50	2.50	1.92	0.58	23
Total	**4.06**	**4.06**	**3.25**	**0.81**	**20**

*** No expenditure as funds were not released.** **Source : Director, SSWCD**

Department attributed savings to late release of funds by the State Government and non-passing of bills by the Treasury Officers (TOs).

3.4.2.1 Drawal of funds in advance of requirements

Financial Rules provide that no money should be drawn from the treasury without sanction of competent authority and unless it is required for immediate disbursement. Further, Punjab Treasury Rules prohibited deposit of money drawn from treasury in the commercial banks.

Drawal of funds in excess of the requirement resulted in loss of interest of Rs7.93 lakh

Test check of records of POs Hoshiarpur and Jalandhar disclosed that Rs 1.33 crore was drawn from Hoshiarpur Treasury (NPAG) and Rs 1.44 crore from Jalandhar Treasury (SNP) between September 2004 and November 2006. This money was deposited in current accounts in banks. Out of this, only Rs 1.36 crore were utilized, Rs 0.92 crore were deposited (August 2005 and December 2006) in the Government accounts and balance amount of Rs 0.49 crore (PO Hoshiarpur) was lying in current account (May 2007) resulting in loss of interest of Rs 6.85 lakh.

Further, Punjab State Planning Board allotted (May 2005) Rs 1.77 crore (SNP) to District Kapurthala and sanctioned 50 *per cent (29 March 2006)* of the amount. It was, however, noticed that instead of releasing 50 *per cent,* funds, Deputy Commissioner, Kapurthala released the entire amount to PO, Kapurthala who withdrew this amount between July 2005 and March 2006 and transferred to ZP, Kapurthala. The amount of Rs 88.70 lakh drawn unauthorizedly and deposited in treasury in May 2006 resulted in loss of interest of Rs 1.08 lakh[46]

The irregular retention of funds outside Government accounts has not only adversely affected ways and means position of Government but also resulted in loss of interest Rs 7.93 lakh (calculated at borrowing rate of the Government).

[46] **Interest for 57 days from 31 March to 26 May 2006.**

On being pointed out (May 2007), the Director admitted (May 2007) the lapse.

3.4.2.2 Non-reconciliation with Treasuries

Financial rules provide that the Drawing and Disbursement Officers (DDOs) should reconcile every month all the withdrawals and deposits with the figures appearing in the books of the Treasury and record a certificate to this effect in the cash book.

Non-reconciliation of withdrawals and deposits with treasuries accounts

The records of 23 DDOs (out of 66 DDOs) test checked disclosed that reconciliation of withdrawals (Rs 44.07 crore) and deposits (Rs 2.39 crore) during the period 2002-07 was not done (June 2007) with treasuries. Delay in reconciliation weakens the financial administration and can lead to malpractices.

3.4.2.3 Incorrect depiction of expenditure in account

Excess booking of expenditure Rs 6.90 crore

From January 2004, State Government transferred the implementation of nutrition programme to Panchayati Raj institutions. Under the new pattern, ZPs were to purchase food items, pre-school kits and medicines for anganwadi centres and transfer to CDPOs for further distribution through Gram Panchyats.

Test check of records of six[47] ZPs disclosed that POs had drawn Rs 21.27 crore from treasury and shown as expenditure during 2004-07. Scrutiny of records of respective ZPs disclosed that out of Rs 21.27 crore received by ZPs from respective POs, only Rs 14.37 crore were utilized during the period leaving a balance of Rs 6.90 crore unutilized as of March 2007. Thus, the entire amount recorded in the accounts as spent on the scheme was not actually used for it.

Thus, there was excess depiction of expenditure of Rs 6.90 crore in the accounts.

3.4.2.4 Non-submission of utilization certificates

UCs for Rs 39.28 crore were not submitted

As per requirement of Schemes, the utilisation certificates (UCs) were required to be submitted to the Central and State Governments. However, it was noticed that though an expenditure of Rs 39.28 crore was incurred under various schemes between 2002 and 2006 yet the UCs were not submitted to the respective funding governments. In the absence of UCs it is difficult to know whether the money has been spent for the purpose it was given.

No reasons for non-submission of UCs were given by the Department.

47 **Amritsar-1.01 crore, Gurdaspur -0.56 crore, Jalandhar-3.29 crore, Ludhiana-0.62 crore, Mansa-0.98 crore and Sangrur-0.44 crore.**

3.4.2.5 Excess payment to FCI

As per allocation, FCI was to supply food grains (564 quintals wheat and 661 quintals rice) worth Rs 6.32 lakh under wheat based nutrition programme at below poverty line (BPL) rates for Kapurthala district. It was, however, noticed that against this, ZP, Kapurthala made (March 2006) payment of Rs 18.77 lakh for supply of 1801 quintals wheat and 2000 quintals rice (on the basis of demand) resulting thereby into excess payment of Rs 12.45 lakh.

Excess payment of Rs 13.79 lakh remained un-recovered from FCI

Similarly, PO, Hoshiarpur made payment of Rs 36.15 lakh to FCI for supply of 8375 quintals of wheat and lifted only 8065.40 quintals wheat valuing Rs 34.81 lakh resulting in excess payment of Rs 1.34 lakh to FCI.

Thus, payment of Rs 13.79 lakh was made in excess to FCI, refund of which was awaited (May 2007).

3.4.3 Programme Management

3.4.3.1 Denial of benefits of the scheme to eligible beneficiaries

Food grains of Rs 23.59 crore remained unlifted denying nutrition to intended beneficiaries

Under the wheat based nutrition programme, against the requirement of food grains, GOI allotted food grains worth Rs 23.59 crore (Wheat 28160 MT and Rice 21060 MT) in the year 2002-03. Against this, no quantity was lifted by the Department from Food Corporation of India (FCI) reportedly due to non-passing of the bills by the treasury. The failure of Department to lift the allocated wheat and rice resulted in denial of facility of supplementary nutrition to 604709 beneficiaries under the scheme.

On being pointed out (March 2007), the Department admitted the facts.

3.4.3.2 Failure to use Central Assistance for NPAG

Failure to utilize GOI funds of Rs 1.22 crore for NPAG led to denial of benefits to all eligible

GOI selected two[48] districts of the State under NPAG scheme to provide food grains through public distribution system (PDS) to under nourished adolescent girls. The implementation of the scheme was approved on pilot basis.

The audit of the records disclosed that central assistance of Rs 1.22 crore provided by GOI for the years 2002-03 and 2005-06 (Hoshiarpur: Rs 0.57 crore for 13818 beneficiaries and Jalandhar: Rs 0.65 crore for 24147 beneficiaries) was not utilized by the Department resulting in denial of benefits of the scheme to all 37965 eligible beneficiaries.

On being pointed out in audit, the POs stated (May 2007) that funds remained unutilized due to non-passing of bills by the treasury.

3.4.3.3 Shortfall in the coverage of beneficiaries

Shortfall in coverage of beneficiaries was 32 *per cent* to 85 *per cent*

In the 56 projects test checked, there was heavy shortfall in the coverage of beneficiaries under SNP during the period 2002-07. In case of expectant

[48] **Hoshiarpur and Jalandhar.**

women, it was 33 *per cent* to 85 *per cent*, nursing mothers 32 *per cent* to 82 *per cent* and children 40 *per cent* to 83 *per cent* as per details given below:

Year	Total number of eligible beneficiaries			Number of beneficiaries provided with SNP			Shortfall in providing SNP			Percentage of shortfall		
	Children	Expectant women	Nursing mothers	Children	Expectant women	Nursing mothers	Children	Expectant women	Nursing mothers	Children	Expectant women	Nursing mothers
02-03	406941	62172	51019	68364	9257	10107	338577	52915	40912	83	85	80
03-04	397284	63672	50958	68218	10910	9044	329066	52762	41914	83	83	82
04-05	402823	62186	50011	134107	27787	28803	268716	34399	21208	67	55	42
05-06	402177	62789	48915	169079	31481	25310	233098	31308	23605	58	50	48
06-07	435411	62812	49838	261172	41808	33622	174239	21004	16176	40	33	32

Supplementary nutrition was to be provided to beneficiaries for minimum 300 days in a year. None of the identified beneficiaries got the supplementary nutrition for envisaged 300 days. (The number of days on which the supplementary nutrition was not provided ranged from 15 to 300 days.)

3.4.3.4 Loss to state exchequer

Material valued Rs 39.47 lakh became unfit for human consumption due to non-finalisation of vigilance inquiry

Punjab Vigilance Bureau seized (May 2005) on the basis of a complaint, purchase files/records of ZP Amritsar relating to purchase of Biscuits, Murmura (Rice puff), Wheat puff and Panjiri etc. from M/s Purb Mercantile, Amritsar in connection with enquiry against ZP. As per instructions from Vigilance Bureau, ZP instructed (May 2005) PO and all CDPOs of Amritsar district to stop distribution of above material to the beneficiaries. The outcome of the vigilance inquiry was still awaited (July 2007). As a result, food items worth Rs 39.47 lakh lying with 13 CDPOs had become unfit for human consumption resulting in loss to the state exchequer.

On being pointed out, the CDPOs stated (May 2007) that the material was received in good condition but because distribution of material to the beneficiaries was stopped by the district authorities, it became unfit for human consumption in due course.

3.4.3.5 Non-creation of nutrition and health awareness

Nutrition and health education was to be given to all women in the age group of 15-45 years with priority to expectant women and nursing mothers through publicity by holding film shows, demonstration of cooking and feeding, home visits by AWs as well as through programmes of Ministry of Health & Family Welfare.

Scrutiny of records in 56 blocks of five districts test checked revealed that no activities were preformed by the Department resulting in non-creation of nutrition and health awareness among the masses upto the desired level.

3.4.4 Monitoring and Evaluation

3.4.4.1 Shortfall in field visits

For effective implementation of the scheme and for its physical monitoring, each CDPO was required to undertake field visits/inspections of the

Anganwadis for at least 18 days a month with 10 night halts outside the headquarters. Scrutiny of progress reports of CDPOs sent to POs/higher authorities, in the test checked districts disclosed that there was nine to 60 *per cent* shortfall in visits of CDPOs during 2002-07. CDPOs did not make even a single night halt. No corrective measures were taken by POs/Director.

On being pointed out (May 2007), the Department attributed the shortfall in field visits and night halts to shortage of CDPOs and supervisors and attending to extra work like old age pensions.

3.4.4.2 Non-formation of co-ordination committees

For co-ordination and smooth running of the scheme, co-ordination committees at the village, block, project, district and state level were required to be set up to monitor ICDS including nutrition programme. The meeting of the co-ordination committees was required to be held monthly at block level and district level and quarterly at state level. It was, however, seen that co-ordination committees at the block/project, district and state levels were not set up.

3.4.5 Conclusion

The Department failed in the areas of planning, co-ordination and monitoring of the nutrition programme. The funds were drawn in advance of requirements and kept outside Government accounts resulting in loss of interest Rs 7.93 lakh. The reconciliation of expenditure was not done. Expenditure was overstated by Rs 6.90 crore and utilisation certificates for Rs 39.28 crore were not furnished. Material costing Rs 39.47 lakh seized by Vigilance became unfit for human consumption due to its non-utilization within prescribed shelf life. Wheat and rice were not lifted from godowns denying benefit to 604709 beneficiaries. The overall shortfall in coverage of beneficiaries was between 32 and 85 *per cent*. Monitoring of the scheme was weak.

Recommendations

- Demand for funds should be realistic as to avoid savings; Funds provided by the GOI need to be released in toto as well as in time by State Government;
- Reconciliation of expenditure and receipts should be made with TOs as well as AG (A&E) urgently;
- Wheat and rice etc. should be lifted in time to make the programme a success and
- Implementation of the schemes should be properly monitored.

FINANCE DEPARTMENT

3.5 Information Technology Audit of Integrated Treasury Information System of Punjab

Highlights

Information Technology Audit of Integrated Treasury Information System of Punjab manifested improper planning as no Information Technology strategy, System Development Life Cycle approach and Information Technology security policies were formulated. Non-implementation of input controls resulted in passing of bills without removal of objections, with duplicate bill numbers, on dates prior to the date of its receipt, etc. Despite a plan and availability of funds, web based linkages with banks and Finance Department could not be established, thereby affecting monitoring for ways and means and non-optimal utilisation of computerisation.

- ***The software was got developed and implemented without formulation of Information Technology strategy, adoption of a System Development Life Cycle approach and Information Technology security policies. There was no evidence to suggest that comprehensive acceptance testing was done before implementing the computerised system.***

(Paragraph 3.5.6, 3.5.7 and 3.5.19)

- ***The Directorate failed to incorporate input/ validation controls in the iTISP despite adoption of software six years ago thereby causing passing of bills without removal of objections, with duplicate bill numbers, on dates prior to the date of its receipt, etc. The data generated was unreliable to some extent.***

(Paragraph 3.5.11, 3.5.13 and 3.5.14)

- ***Due to lack of coordination between the Directorate and National Informatics Centre, mapping of some business rules, one to one link between cheques issued in lieu of cancelled cheques and audit trails provisioning could not be done in the software so far.***

(Paragraph 3.5.16, 3.5.18 and 3.5.20)

- ***The objective of providing web-based linkages with banks and Finance Department was also not achieved, though planned in October 2004, thereby affecting monitoring for ways and means.***

(Paragraph 3.5.17)

- ***Password policy, back-up policy, disaster recovery and business continuity plans was not framed and documented.***

(Paragraph 3.5.22 and 3.5.24)

3.5.1 Introduction

The Punjab Finance Department (Department) is responsible for maintaining fiscal discipline and exercises financial control over public spending by Government Departments in the State through the Directorate of Treasuries & Accounts (Directorate). There are 21 District Treasuries and 69 Sub treasuries. A plan for computerisation of treasuries was made in June 1997 and application software 'Integrated Treasuries Information System of Punjab (iTISP)' was developed through National Informatics Centre (NIC), Punjab State Unit, Chandigarh .

iTISP was designed as a client/server application with Window 2000/2003 as operating system, MS SQL server at the back end and MS Visual Basic at the front end. The first version was developed and implemented (2001) in phases at treasury/sub-treasury level, thereafter software was updated regularly.

3.5.2 Organisational Set-up

The Directorate is headed by a Special Secretary cum Director Treasuries and Accounts under overall administrative control of Principal Secretary, Finance Department. The Director Treasury and Accounts, is assisted by an Additional Director and one Deputy Director. In the field, 21 District Treasury Officers (DTOs) are assisted by Treasury Officers (TOs) and a Superintendent with supporting staff at district level and technical assistance is provided by Assistant Programmers, deputed on contractual basis, at treasury/sub treasury level.

3.5.3 Objectives of computerisation

The objectives of implementing iTISP were as under:

- Efficient monitoring of expenditure & revenue.
- Position of actual payment made by Bank.
- Online inclusion of sub treasury data at district treasury.
- Monitoring position of pendancy of bills with amount under different major heads at different treasuries.
- To prevent the possibility of fraud/ embezzlement.
- Ascertaining the position of cheques issued by treasuries but not cleared by banks.

3.5.4 Scope of Audit

Out of the 21 district treasuries, five[49] District Treasury Offices (DTOs) were covered in Audit. The data maintained in selected treasuries for the period from 2005-06 to 2006-07 was analyzed to assess the control environment for ascertaining completeness, regularity, authenticity, consistency and reliability. Interactive Data Extraction and Analysis (IDEA) package and Structured Query Language (SQL) was used in audit for analytical review of data.

AUDIT FINDINGS

3.5.5 Unplanned implementation

The Directorate devised a plan of computerising all 21 district treasuries and 69 sub-treasuries in June 1997. Accordingly, application software-'Integrated Treasuries Information System of Punjab (iTISP)' was developed by National Informatics Centre (NIC), Punjab State Unit, Chandigarh, and after site preparation, hardware/ software were purchased. iTISP was implemented (2001) in different phases during 1997-2006 and the total expenditure on

[49] **Chandigarh, Hoshiarpur, Jalandhar, Ludhiana, and Ropar**

software development, software licenses and purchase of hardware amounted to Rs 6.22 crore.

Audit scrutiny of the records of Directorate disclosed that out of 69 sub-treasuries, 54 were computerised during 1997-2006 at a cost of Rs 6.22 crore, thereby leaving 15 sub-treasuries un-computerised. The Directorate could not undertake computerisation all the sub treasuries of the districts and 15 sub treasuries pertaining to 11 districts were left un-computerised. The Government of Punjab sanctioned Rs 2.46 crore for expansion of the existing system and computerisation of remaining 15 sub treasuries, for which the action was initiated only in February 2007 resulting delay in creation of intended infrastructure during 2006-07.

The Directorate in its reply stated (August 2007) that delay in computerisation of remaining sub treasuries was due to non-provision of online linking of these sub-treasuries with the district treasuries in the Software Requirement Specifications (SRS). The reply of the Directorate is not tenable as it was the major objective of the computerisation to include sub treasury data at district level.

3.5.6 Non- adoption of a structured approach in software development

It was necessary to adopt a structured approach with a methodology governing the process of developing, acquiring, implementing, evaluating and maintaining computerised information systems and related technology with documentation at all stages.

Audit scrutiny revealed that there was no evidence to suggest that any structured approach for development of iTISP was used in absence of its documentation. In absence of any documentation, the Directorate could not monitor the development and implementation of the system and was completely dependent on NIC. Non-adoption of structured approach to project development resulted in non-involvement of the users as no User Requirement Specifications (URS) apart from Software Design Document (SDD) were prepared, and each DTO/ TO had to maintain records manually despite implementation of project rendering non-optimal utilization of the available resources acquired at a cost of Rs 6.22 crore.

The Directorate in its reply stated (August 2007) that NIC adopted prototyping and evolutionary model of SDLC in line with Directorate's culture and low IT literacy rate in the Directorate. The Director, NIC also stated that documents such as User Requirement Specifications (USR), Software Design Document (SDD) were neither required nor prepared under the said model.

The reply is not tenable as non-adoption of the system development life cycle methodology resulted into unsystematic development without the involvement of users and absence of documentation.

3.5.7 Implementation of iTISP without testing

The Directorate is to ensure that only authorised and fully tested application software is placed in operation. Audit observed (March 2007) that the Directorate neither formed any expert group or committee for testing the software nor documented any test data or test reports before its implementation in the field offices. The Directorate in its reply stated (August 2007) that NIC replicated the software in all treasuries after successful testing at two treasuries. The reply is not tenable as the Directorate was to ensure proper testing of software and its documentation through an expert committee before its implementation. Further the Director, NIC admitted in the meeting that there was no documentation regarding test data and test reports to corroborate the claim of the Directorate.

3.5.8 Change Management procedures

Though the software was developed by NIC, and had been implemented by the Directorate in phases since 2001, the Directorate had not prepared a documented procedure to control changes in the software and project documents, record keeping of changes during entire project life cycle and impact analysis of changes during project life cycle and impact analysis of changes incorporated till May 2007.There were no documentation relating to testing of changes made to the system before replication of the software.

The Directorate in its reply stated (August 2007) that a well-defined procedure is followed for change management. Director NIC stated that procedure though followed but no documentation is being done in this regard. In absence of any documentation for change control, it was not possible to ascertain the effectiveness of any procedures that are stated to have been followed.

Analytical review of data

The data captured & processed through iTISP in five treasuries for the period from April 2005 to March 2007 was analysed using IDEA, a Computer Assisted Audit Technique. The major findings showing deficiencies in the database and the functioning of the treasuries are detailed below:

3.5.9 Retention of bills for more than prescribed period.

The Standing Orders issued by Director Treasury and Accounts envisages that all activities including passing of bills and preparation of cheques should be completed within four days. The four days period include the day on which the bill is presented and the day on which the cheque is prepared. Further no bill should be retained without action in the treasury/ sub-treasury beyond a period of four days of its receipt.

Audit observed (May 2007) that though the software itself was implemented in 2001, it was possible to input the dates from 01-01-1900 and computerised data showed passing of bills even after delay of 54 years due to non-provision of input controls.

The Directorate in its reply stated (August 2007) that bills are passed with in stipulated period of four working days and salary bills, though, received before 20th of each month, are distributed on the last two days of the month.

The reply of the Directorate is not tenable as the delay emanates from wrong dates being entered and accepted by the software due to non-provision of input controls adversely affecting the reliability and accuracy of the data.

3.5.10 Irregular functioning of treasury on public holidays

The Punjab treasury rules under rule 86(3) provides that the treasuries shall be closed for public business only on those days which are notified by Government as public holidays for observance in public offices. Notwithstanding anything contained in Rule 86, the Deputy Commissioner of a district may order the opening of a treasury on public holidays.

During audit (May–June 2007) it was observed that there was no provision in the software to regulate the functioning of the treasuries on public holidays as such three[50] DTOs out of five test checked functioned on public holidays as detailed below:

Name of district	Activity Involved	No. of bills involved on Saturdays	No. of bills involved on Sundays
Hoshiarpur	Applying Token no. of bills	5611	7
	Passing of bills	143	14
Jalandhar	Applying Token no. of bills	4037	97
	Passing of bills	474	3
Chandigarh	Applying Token no. of bills	40	1
	Passing of bills	274	4

The DTO, Chandigarh in its reply (May 2007) stated that due to heavy rush of work the token clerk inadvertently clicked the wrong dates, which happened to be holidays. The Directorate in its reply stated (August 2007) that treasuries as a routine do not accept the bills on public holidays, however, assured the compliance of the rule by imposing restrictions through the software. Regarding clicking of wrong dates by token clerk such type of clerical mistakes would continue to recur due to non-provision of any input controls, affecting the accuracy and reliability of the data in the Software.

3.5.11 Non-compliance of standing orders

As per standing orders, the Assistant dealing with the bills is required to maintain a register of objected bills containing details of the objections raised on a particular bill. All the objections are raised under the signatures of Superintendent at the first opportunity and no piecemeal objection was to be tolerated and the objections raised should be as per prescribed checklist. Punjab Treasury Rules under Rule 192(a) Note 2 further provides that when any objection is revised, the bill or other document should be returned to the claimant.

Audit scrutiny (May-June 2007) of records disclosed that:

- 7135 bills relating to three[51] DTOs were objected in piecemeal during 2005-07 in contravention to the provisions.
- 63963 bills relating to four[52] DTOs for the years 2005-07 were having the objection code 'E-15' (others) whereas there were specific objections.
- 1851 bills relating to five[53] DTOs were passed during 2005-06 without

[50] **Chandigarh,Hoshiarpur and Jalandhar.**

[51] **Chandigarh 1881, 383, Hoshiarpur 3493,296 and Jalandhar 960,122 during 2005-06 and 2006-07 respectively.**

[52] **Chandigarh 15322, 7775, Hoshiarpur 9759, 5361, Jalandhar 14941, 8070 and Ropar 68, 2667 during 2005-06 and 2006-07 respectively.**

[53] **Chandigarh 276,187, Hoshiarpur 51,60, Jalandhar 635,134,Ludhiana 253,204 and Ropar 3,48 during 2005-06 and 2006-07 respectively.**

handing over the bills to the claimants, though carrying objection, for removal of objection and resubmission, rather were passed with the same token number in violation of provisions of Treasury Rules.

Thus, absence of adequate checks and controls in the software coupled with non-identification of correct objection code by users and incomplete check lists of objections designed by NIC allowed passing of bills under objections in violation of standing orders.

The Directorate while admitting (August 2007) the lapse assured compliance in future.

3.5.12 No DDO code allotment policy was made

In the application software 'iTISP' there is a master data file designed for capturing the data of operational DDOs in treasuries for monitoring DDO wise budget and expenditure.

Audit scrutiny (May-June 2007) of records of five DTOs revealed that

(i) No mapping of DDOs with the heads, which they were authorized to operate, was done.

(ii) DTOs, (Hoshiarpur, Jalandhar, Ludhiana and Ropar) used even the dummy DDO code "000".

(iii) 753 inoperative DDOs relating to five[54] DTOs were not deactivated from master data file during 2005-07.

The Directorate in its reply stated (August 2007) that NIC would be approached for mapping of DDO codes so that sub treasury can use district DDO codes so that dummy DDO are not used.

Audit Findings on the Application Controls

Application controls are those built in checks in the software, which ensure that transactions are processed according to the rules and regulations governing them. These are absolutely essential to ensure accurate and reliable data. Audit observations with respect to deficiencies in the application controls, are highlighted below:

3.5.13 Lack of validation controls.

The bills from DDOs are received through messenger, at the token window and the net amount of bill is fed into the system by Token clerk. In further processing, the Assistant on receipt of bill from Token Clerk makes a detailed entry including gross amount and deductions (BT). After the bill is passed a unique voucher number is allotted.

Audit scrutiny (May-June 2007) of records disclosed that

(i) All the five DTOs test checked passed 95 bills during 2005-07 where gross amount was lesser than the net amount due to bugs in the software.

54 Chandigarh 142, 156, Hoshiarpur 149,156 and Jalandhar 15, 19, Ludhiana 29,42 and Ropar 10,35 during 2005-06 and 2006-07 respectively.

(ii) Three[55] DTOs passed 84909 bills during 2005-07 on dates prior to the date of issuance of token number due to lack of validation controls.

Thus, absence of validation control and bugs in the software was indicative of the fact that the software was not tested before implementation, which caused incorrect acceptance of dates rendering the data generated through the software inaccurate and unreliable.

The Directorate in its reply stated (August 2007) that NIC would be asked to provide checks so as to control such mistakes in the software.

3.5.14 Acceptance of duplicate bill numbers

In a computerised environment maintenance of serial number on bills by each DDO while presenting bills for payment to the respective treasuries is essential to prevent duplicate payment.

Scrutiny (May-2007) of records of DTO Chandigarh revealed that during 2005-07 due to non-availability of such input controls in the software 22 bills (20 in 2005-06 and 2 in 2006-07) were passed with duplicate bill numbers. Though, such input controls were provided in 2007-08, yet these were inadequate as two bills were passed with duplicate bill numbers by suffixing/prefixing special characters with bill numbers.

The Directorate while admitting the facts stated (August 2007) that NIC was approached to provide checks in the software to disallow the duplicate bill numbers.

3.5.15 Lack of checks for preventing double payments

PFR Vol. I (Rule 8.13) provides that sub-vouchers above Rs 500 are required to be attached with the contingent bills in support of the claims presented. In IT environment defacing the original document by stamping at the time of computer input in order to check duplicate processing is essential.

During scrutiny (May-June 2007) audit observed that the Directorate vide rule 4.2 of standing orders allowed acceptance of photocopies of sub-vouchers attached to contingent bills in departure from the provisions of PFR, but failed to issue instructions to deface by stamping the original sub vouchers. As such, duplicate payments could not be ruled out in audit.

The Directorate while admitting the facts stated (August 2007) that Standing Order will be amended.

3.5.16 Non-mapping of business rules in the software

The Standing Orders stipulates that the bills should be disposed of strictly in the order of receipt on first come first serve basis and any disturbance of the seriatim would amount to misconduct for the purpose of initiating disciplinary

55 **Chandigarh ,Hoshiarpur and Jalandhar.**

action against the defaulting officials. The DTO /TO was also required to ensure that bills are passed strictly in the order of receipt.

Audit scrutiny (May-June 2007) of records of five DTOs revealed that bills were passed by ignoring the seriatim of token as a result of non-mapping of business rule in the application software.

The Directorate in its reply stated (August 2007) that standing orders are followed in letter and spirit, however, some urgent payments on the directions of Court and Finance Department is made on priority. The reply is not tenable as the rule can be mapped in the software so that dealing clerk is not able to break the seriatim unless the bill is objectionable or payment are to be made on priority under the approval of DTO/Superintendent.

3.5.17 Establishment of Data Centre at the Directorate.

NIC brought out (October 2004) an expansion plan to be completed within ten months from the date of approval (October 2004). As per the plan all district treasuries and sub-treasuries were to be linked to a Data Centre at Directorate, Chandigarh through ISDN and PSTN to establish well integrated financial system using web technologies and linkages with external agencies like banks, Finance Department, etc. The data was to be used to generate information for macro level budget monitoring for effective ways and means control. The NIC was also required to map checks and controls in the iTISP, for registration of Pension Payment Orders (PPO), generation of entitlements, capturing of disbursements made by banks and generation of discrepancies between entitlement and disbursement.

Audit observed (March 2007) that though a centre had been set up at Directorate and linked to district treasuries at a cost of Rs 12.93 lakh to receive the data. But this data could not be consolidated at Directorate due to non-availability of required software. Poor ISDN connectivity necessitated updation of master data files at all the 75 locations instead of at Directorate level, leading to scope of error and delay in effecting changes. Audit further observed (June 2007) that despite lapse of two and half years NIC failed to establish linkages with banks as a result of which not only the receipt challans received from banks were manually fed into the system but also led to over payment of Rs 16.74 crore detected by the Directorate itself up to March 2007. Out of this, Rs 15.21 crore was recovered from the banks in piecemeal leaving a balance of Rs 1.53 crore un-recovered. Thus, non-providing of linkage with banks, the Directorate could not register PPOs, generate entitlements, capture disbursements made by banks and detect discrepancies concurrently.

The Directorate in its reply stated (August 2007) that Punjab Government is establishing its own Wide Area Network (PAWAN) and as soon as it is established the matter regarding connectivity with banks and other organisations will be possible.

3.5.18 Procedure in issuance of cheques

As per Standing Orders issued by Directorate, duplicate cheques are issued when the original cheque is reported to have been lost or destroyed. A fresh cheque shall be issued in lieu of lost /destroyed cheque by giving a cross-reference on counterfoil of lost/destroyed cheque as well as on the counterfoil of fresh cheque to be issued.

Audit observed (June 2007) that no one to one link between cancellation of original cheque and fresh cheque issued in lieu of original cheque was provided in the software by NIC. Software also did not include the sub-module to computerize record relating to fresh cheques issued in lieu of cancelled cheques.

The Directorate while admitting (August 2007) the facts stated that NIC has been requested to do the needful.

Major Audit Findings on General Controls.

General controls are the policies and procedures, which govern the environment in which Information Technology is used in an organisation. The deficiencies noticed by audit are given below:

3.5.19 Lack of IT security policy

The Directorate had not formulated and documented any IT security policy regarding the security of IT assets, software and data security even after six years of implementation of iTISP.

The Directorate while admitting (August 2007) the facts stated that Department of Information Technology, Punjab (DOIT) has been approached for preparation of IT-Security policy.

3.5.20 Non -provision of Audit Trail

Audit trail is incorporated into an IT System for tracing an item from input through its final stage and depicts the flow of transaction at every point of processing up to the output stage.

Scrutiny of software (March 2007) disclosed that:

(i) Directorate failed to include the audit trail options to capture details of terminal logon, start up time, activities of users, etc. in the iTISP.

(ii) No system administration register and daily activity register was maintained.

Due to non-provision of audit trail in the software the Directorate could neither entrust the periodic review of audit trail to any responsible officer nor could documented procedure be evolved for regular monitoring of audit trail/logs to watch deviations in access trends and to ensure compliance of instructions relating to system security.

The Directorate in its reply stated (August 2007) that NIC has initiated the action for incorporation of audit trails.

3.5.21 Manpower management

The Management, in a computerised environment, must ensure that organisation has competent and trustworthy data management personnel because IT personnel aware of control weaknesses may alter transaction/ data with an ulterior motive.

Audit scrutiny, revealed that;

1. Directorate had not prepared any organizational policy for clearly segregating duties of its officers/officials working in computerised

environment.

2. The Directorate had not deployed the skilled regular staff rather it was solely dependent on the contractual staff and NIC for maintenance of the software posing a threat to the integrity and security of the data.

The Directorate in its reply stated (August 2007) that no new staff is appointed as the existing staff has been trained to operate the computer systems and for IT Managerial staff Finance Department would be approached for creation of post of System Analyst.

3.5.22 Physical and logical access controls

Application Software and data should be protected from unauthorized alteration by the use of appropriate physical and logical access controls. Physical controls include restriction on entry of unauthorized persons to the client's site, buildings, computer rooms and each piece of IT whereas Logical access controls are restrictions imposed by the computer software.
Audit scrutiny (May-June 2007) of five DTOs revealed that the Directorate failed to restrict entry of unauthorized persons to the server room/client site

1. The server room at Hoshiarpur had no door and the room was not fully covered with the walls.
2. The server room at Chandigarh was also not isolated with a view to restrict entry of unauthorized persons to the server room.

Scrutiny (May 2007) of records of DTOs Chandigarh revealed the following discrepancies indicating logical access risks;

1. Five similar passwords were being used by 16 users, as there was no password policy in vogue.
2. Passwords of two or four characters were being used by the users against requirement of eight digit alphanumeric characters.
3. The software had no inbuilt arrangement for compulsory changing of password after a specified period.

Absence of physical and logical access control policy may attract unauthorized uses and poses threat to the integrity and security of the data and system as a whole.

The Directorate while admitting the facts stated (August 2007) that DTOs have been instructed to restrict the entry of unauthorized persons/outsiders in the server room and NIC has been requested to provide guidelines for making password policy.

3.5.23 Internal Audit in computerised treasuries

Internal Auditors have an important role in protecting the IT Systems by detecting deviations in prescribed procedure, identifying threats to information system, suggesting safeguards for timely rectification. One Deputy Director at the Directorate is responsible for Internal Inspection of Treasuries.

Audit observed (June 2007) that neither Internal Inspection Teams were trained in iTISP nor new methodology of audit in the computerised environment was devised by the Directorate. As such, no internal audit of IT System was conducted.

The directorate while admitting the facts stated (August 2007) that detailed guidelines have been issued to Internal Audit staff regarding inspection of treasuries.

3.5.24 Lack of disaster recovery and business continuity plan

The iTISP being a critical system, it was necessary to evolve a Business Continuity and Disaster Recovery Plan encompassing documented procedures for back-ups, restoration, anti virus mechanisms, redundancy, etc. It was observed in audit that the Directorate failed to formulate and document disaster recovery policy, causing;

1. Backups being taken in test checked treasuries at irregular intervals
2. Non testing of stored backups was being done to check data restoration.
3. Non-storing of backup data off site in fire proof cabinets.
4. Non-formulation of anti virus policy.

The directorate in its reply stated (August 2007) that DOIT would be approached for guidelines on disaster recovery.

3.5.25 Conclusion

Though the Directorate implemented iTISP in phases since April 2001 and spent Rs 6.22 crore on computerisation till 2007, yet it could not complete computerization of all the sub treasuries. Inadequate input controls led to passing of bills, without removal of objections, with duplicate bills numbers, on dates prior to the date of its receipt and ignoring chronological order. Lack of input/validation controls adversely affected the reliability and accuracy of the data. There existed no password and IT security policy to safeguard data and system. Disaster recovery and business continuity plan and back up policy were also not in vogue. As envisaged, linkages of treasuries and Directorate with banks and Finance Department was also not achieved causing manual feeding of challans and updation of master files in district treasuries and sub treasuries thereby defeating the major objectives of computerisation.

Recommendations

- The remaining sub-treasuries should be computerised on priority.
- The directorate should get the software updated by incorporating input controls and test these changes before implementation.
- The directorate should formulate well-defined IT security, password and data back-up policy besides disaster recovery plan.
- The task of linking of treasuries with the banks and Finance Department is of utmost importance so as to minimize manual inputs and optimize the benefits of computerisation.

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 Fraudulent drawal/misappropriation/embezzlement/losses

ANIMAL HUSBANDRY DEPARTMENT

4.1.1 Suspected embezzlement of government money

Failure of the Deputy Director in handling government money as per laid down procedure facilitated embezzlement of Rs 16.62 lakh.

Punjab Financial Rules provide that every government employee would be personally responsible for the money which passes through his hands and for prompt record of receipts and payments of the government in the cash book. The Head of Office would see that receipts collected during the day were credited in the treasury on the same day or on the morning of next day and would verify the correctness of the transactions of the cash and record a signed and dated certificate to that effect at the end of each month.

Test check of records (February 2007) of Deputy Director Animal Husbandry, Kapurthala (DD) disclosed that out of Rs 16.62 lakh collected on account of parchi fee, artificial inseminations and other miscellaneous receipts between April 2006 and January 2007, only Rs nine lakh was accounted for in the cash book and balance Rs 7.62 lakh remained unaccounted.

In reply to the audit memo (22 February 2007), the DD informed that an amount of Rs 5.03 lakh has been deposited on 23 February 2007[1]. On a subsequent reference to DD (March 2007) to certify the cash in chest, he avoided counting of cash on the plea that cashier had proceeded on leave with effect from 26 February 2007 without handing over keys of the chest. Further, as the DD had not recorded the monthly cash counting certificate between October 2004 to January 2007, the availability of cash of Rs nine lakh (January 2007) in chest was not beyond doubt. However, taking cognizance of audit objections, DD lodged a FIR in police station Kapurthala on 8 March 2007. Thus, failure of the DD to follow the laid down procedure and observe codal provisions with regard to handling of government money facilitated embezzlement of Rs 16.62 lakh.

1 **Rs 0.36 lakh in treasury and Rs 4.67 lakh with Punjab Live Stock Development Board.**

On being pointed out in Audit, the Director, Animal Husbandry, Punjab intimated (April 2007) that keeping in view the financial irregularities pointed out by Audit, concerned DD and Cashier have been placed under suspension. Further developments were awaited (August 2007).

AGRICULTURE DEPARTMENT

4.1.2 Loss due to incorrect fixation of rates

Wrong fixation of price of plots resulted in loss of Rs 53.45 lakh to Punjab Mandi Board.

Punjab State Agricultural Marketing Board (Sale and Transfer of Plots) Rules, 1999 provide that all plots in the markets developed by the Punjab Mandi Board (PMB) or market committees shall be disposed off by way of open auction or allotment only to licensed dealers who have been granted licence in the old denotified markets. The sale price was to be fixed at 35 *per cent* above the reserve price in the markets where no auction had so far been held. Further, as per Government orders (July 2003), the reserve price was to be fixed according to a standard formula or the minimum price of the same category in the same Mandi in the previous auction held there whichever was higher.

Test check (December 2006) of the records of Secretary, PMB, Chandigarh disclosed that for allotment of plots in Samana Mandi (Patiala District), the sale price was incorrectly worked out (August 2003) as Rs 7,195 per sq. yard instead of Rs 7,380 per sq. yard due to incorrect calculation of interest on departmental charges and short levy of planning charges (at the rate of two *per cent* instead of two and half *per cent*). Thus, due to wrong fixation of sale price on lower side by Rs 185 per sq. yard, PMB suffered a loss of Rs 53.45 lakh on sale of plots measuring 28892 sq. yards up to December 2006.

On being pointed out (March 2007), the Department admitted (May 2007) the omission in levy of planning charges but remained silent on short levy of interest on departmental charges.

The matter was referred to Government (January 2007); reply has not been received (August 2007).

REVENUE DEPARTMENT

4.1.3 Irregular disbursement of relief to farmers

Failure of the Department to follow prescribed procedure for payment of relief facilitated irregular relief payment of Rs 2.50 crore to farmers, besides loss of interest of Rs 29.43 lakh on retention of money outside the government accounts.

Punjab Land Records Manual provides that the Collector of the district may require a special harvest inspection to be carried out after a period of ten days from the date of occurrence of a natural calamity and this special girdawari if ordered, may be completed within a week. No relief is payable if the damage to crop is less than 25 *per cent*. Further, financial rules provide that no money should be withdrawn from treasury unless it is required for immediate disbursement.

Test check of records of Deputy Commissioner, Jalandhar (DC) disclosed (February 2007) that in compliance to orders (9 January 2006) of Revenue Department to report weekly the impact of cold wave conditions in the district, the DC reported (27 January 2006) that potato crop in 3278 hectares (8195 acres) of land was damaged by 10 *per cent.*

The Chief Minister constituted (17 January 2006) a Committee headed by the Transport Minister to assess the damage to potato crop which the Committee got done through Horticulture Department. The Horticulture Department assessed (7 and 8 February 2006) 52.75 *per cent* damage to total potato crop sown (47462 acres) in the district. The Committee while submitting its report on 21 February 2006 recommended a special *girdawari* be conducted (February 2006) to know the actual damage.

The Government ordered a special girdawari as recommended by the Committee, but the DC intimated (27 February 2006) that since the potato crop had been harvested, the special girdawari could not be recorded. However, the Financial Commissioner Revenue (FCR) sanctioned (March 2006) Rs 4.75 crore for disbursement of relief to the farmers. On being asked for (April/May 2006) by the DC that as to how the disbursement was to be made as no farmer-wise assessment details were available with the Department, the FCR relaxed (September 2006) the condition of special girdawari and ordered disbursement of the relief on the basis of local enquiry by the committees constituted by the district administration in contravention of the provisions of the manual and even the recommendations of the committee constituted for the purpose. As a result, Rs 2.50 crore was irregularly disbursed during November 2006 leaving Rs 2.25 crore undisbursed with DC. The Government lost Rs 29.43 lakh as interest (calculated on borrowing rate of State Government) for drawal of funds without immediate requirement and keeping Rs 2.25 crore undisbursed in a bank from March 2006 to March 2007.

On being pointed out, DC stated (February 2007) that the relief was disbursed on the basis of instructions from Government and the amount lying undisbursed will be deposited into treasury.

The matter was referred to Government (April 2007); reply has not been received (August 2007).

4.2 Infructuous/wasteful expenditure and overpayment

IRRIGATION AND POWER DEPARTMENT

4.2.1 Excess payment due to defective tendering

Change in quantities of items in DNIT favoured the contractor with excess payment of Rs 1.53 crore.

Government accorded administrative approval (October 2001) for Rs 19.81 crore to the project of construction of Thana Dam and its appurtenant works to protect villages downstream Khawaja Khad from flash floods during monsoon season and storing the same water in the reservoir for irrigation purpose. In the approved project, quantity of item "impervious material" (IM) found suitable after testing the borrow area for use on the construction of impervious core section worked out to be 112735 cum. In case of high dispersivity, the provision of "lime treated impervious material" (LTIM) limited to ten *per cent* was made in the project estimate which worked out to be 11274 cum leaving quantity of IM as 101461 cum (90 *per cent*).

Scrutiny of records of Executive Engineer, Janauri Chohal Construction Division, Hoshiarpur (EE) disclosed (March 2007) that Chief Engineer, Kandi Area Development while according approval (December 2005) to the detailed notice inviting tender (DNIT) changed quantity of IM from 90 to 50 *per cent* and LTIM from 10 to 50 *per cent* without recording any justification. On floating DNIT, the lowest tender (L1) was received (December 2005) for Rs 15.71 crore against Rs 16.38 crore quoted by second lowest tender (L2). Against the departmental rates (based on CSR) of Rs 204.84 per cum and Rs 325.47 per cum for IM and LTIM respectively, the rates quoted by first lowest bidder (L1) were Rs 335 per cum and Rs 345 per cum, whereas the rates of second lowest (L2) were Rs 190 and Rs 410 per cum, respectively. In over all comparison L1 became lower by Rs 67.39 lakh than the L2 its close contender.

Accordingly, the work was allotted to L1 in December 2005. Up to February 2007 against agreed quantities of 55547 cum each of IM and LTIM, 106280 cum (98.60 *per cent*) and 1510 cum (1.40 *per cent*), respectively were actually executed and paid. The quantities executed were close to the quantities envisaged in the approved project. The computation for payments based on quantities executed disclosed that had the DNIT been prepared according to the approved project, the L2 should have been L1.

(Rupees in lakh)

		Departmental			Contractor L1			Contractor L2			Amount of excess payment w.r.t. actual executed quantities
Sr. No	Item of work	Estimated quantity (cum)	Rates	Executed quantity (cum)	Rates	Amount w.r.t. estimated quantity	Amount w.r.t. executed quantity	Rates	Amount w.r.t. estimated quantity	Amount w.r.t. executed quantity	
1	IM	55547	204.84	106280	335.00	186.08	356.04	190.00	105.54	201.93	154.11
2	LTIM	55547	325.47	1510	345.00	191.64	5.21	410.00	227.74	6.19	-0.98
	Total					**377.72**	**361.25**		**333.28**	**208.12**	**153.13**

Thus, change in the quantities of IM and LTIM favoured the contractor to become L1 and caused loss of Rs 1.53 crore to the State exchequer.

In reply, the Executive Engineer stated (March 2007) that the DNIT was prepared on the basis of approved technical estimates. The reasons for proposing changed quantities for technical approval leading to extra expenditure were not intimated.

The matter was referred to Government (May and June 2007); reply has not been received (August 2007).

4.2.2 Overpayment to the contractor

Failure of the Department to observe codal provisions and execution of work without approval of estimate and sanction of rates by competent authority resulted in overpayment of Rs 40.30 lakh to the contractor.

Under the codal provisions[2], the work should not be started until and unless a detailed estimate is sanctioned and rates approved by the competent authority.

During audit (May 2004) of records of Executive Engineer, Canal Lining Division I, Bathinda (EE) excess expenditure of Rs 26.38 lakh pertaining to the work "Construction of X-regulator at RD 114110 of Main line Upper Bari Doab Canal" was pointed out. Further scrutiny of records of EE during next audit (October 2006) disclosed that the work was allotted to Contractor 'A' in March 2002 without sanction of estimates and approval of rates. The work was started on 13 March 2002 and last payment of Rs 3.12 crore was paid in May 2002 to the contractor for his 7th Running Bill. Chief Engineer (CE) accorded sanction to the estimate (Rs 2.86 crore) for the work as well as to the lowest rates of the contractor subsequently on 12 September 2002. A scrutiny of the 7th running bill showed that the rates allowed to the contractor were higher than the rates approved by the CE leading to overpayment of Rs 40.30 lakh to the contractor.

On being pointed out (October 2006/April 2007), the EE intimated (April 2007) that the final bill of the work was pending and no decision has been taken on the charge sheets issued in September 2005 to the officers/officials (July 2007).

The Department did not observe codal provisions and executed work without approval of estimate and sanction of rates by competent authority which led to overpayment of Rs 40.30 lakh to the contractor.

The matter was referred to Government (May 2007); reply has not been received (August 2007).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.2.3 Unfruitful expenditure

Failure of the Department to utilize autoclave and shredders led to unfruitful expenditure of Rs 1.68 crore. In addition, Rs 48.55 lakh were also spent on lifting of bio-medical waste through private firms.

Bio-Medical Waste (Management & Handling) Rules, 1998 provide that in hospitals and nursing homes in towns with population of below 30 lakh, the waste management facilities like incinerator, autoclave and microwave system were to be completed by 31 December 2002.

Test check of records of the Managing Director, Punjab Health Systems Corporation, Mohali (Corporation) (MD) disclosed (January 2007) that two

[2] **Para 2.89 of PWD Code.**

supply orders for purchase of 30 shredders (April 2002) and 35 Autoclaves (June 2002) at a cost of Rs 36.38 lakh and Rs 1.32 crore respectively had been placed for disposal of biomedical waste. The equipment was received between January and August 2003 in various hospitals[3] of the Corporation. This equipment was lying idle (January 2007) in hospitals due to lack of job specific training in handling and maintaining the equipment, lack of infrastructure like transporting system for waste from peripheral institutions to the places of treatment. The specified warranty period of 18 months has also since expired. Instead of initiating any action for putting the equipment to use, the MD entrusted (July 2003) the work of collection, transportation, treatment and disposal of bio-medical waste to private firms and paid Rs 48.55 lakh to these firms between July 2003 and November 2006. The failure of Department to use the equipments even after four years of purchase not only rendered the expenditure of Rs 1.68 crore unfruitful but also resulted in avoidable expenditure of Rs 48.55 lakh on lifting of bio-medical waste through private firms.

On being pointed out, the MD stated (January 2007) that the Corporation was still in the process of completing and developing waste management programme and the MoU signed with these firms would be scrapped as and when the new system becomes operative. The reply of MD was not acceptable as the Department failed to use the equipment since its procurement in February 2003.

The matter was referred to Government (February 2007); reply has not been received (August 2007).

4.2.4 Unfruitful expenditure on non-functional mini primary health centres

Failure of Department to make the mini primary health centres functional despite completion of buildings resulted in expenditure of Rs 39.60 lakh unfruitful besides denial of health care facilities to the public.

The Government accorded (March 1998) sanction for construction of mini primary health centres, (PHCs) in Muktsar district for providing health facilities at newly established[4] focal points in the State. The Civil Surgeon (CS), Muktsar deposited Rs 41.34 lakh with the Executive Engineer, Provincial Division, Faridkot (Rs 10.65 lakh: April 1998; Rs 30.69 lakh: May 2001), for this purpose.

[3] **(1) Civil Hospital (CH) Amritsar (2) Sub-Divisional Hospital (SDH), Patti (3) SDH Manawala (4) CH, Bathinda (5) SDH, Talwandi Saboo (6) CH, Faridkot (7) CH, Fatehgarh Sahib (8) CH, Ferozepur (9) CH, Abohar (10) CH, Fazilka (11) CH, Gurdaspur (12) SDH, Batala (13) SDH, Pathankot (14) CH, Hoshiarpur (15) SDH, Mukerian (16) SDH, Dasuya (17) CH, Nakodar (18) CH, Phillaur (19) CH, Kapurthala (20) CH, Ludhiana (21) CH, Jagraon (22) CH, Khanna (23) CH, Mansa (24) CH, Moga (25) CH, Muktsar (26) CH, Banga (27) CH, Balachaur (28) CH, Nabha (29) CH, Ropar (30) CH, Anandpur Sahib (31) CH, Sangrur (32) SDH, Malerkotla (33) SDH, Barnala (34) CH, Jalandhar (35) Mata Kaushalya Hospital, Patiala.**

[4] **Gulabewala, Virk Khera and Mahuana during the year 1997-98 under the Primary Health Centres (PHCs) of Chak Sherewala, Alamwala and Lambi respectively.**

Audit scrutiny of records (September 2006) of the CS, Muktsar and three PHCs disclosed that buildings of three mini PHCs were completed at a cost of Rs 39.60 lakh between October 2001 and February 2002. Senior Medical Officers (SMO), Gulabewala and Mahuana took over buildings in February and May 2003 respectively. SMO, Alamwala intimated that possession of mini PHC building (Virk Khera) had not been taken over so far (May 2007). These mini PHCs had not yet (May 2007) been made functional as staff had not been posted and medical equipment and furniture had not been provided.

Thus, failure of Department to make the mini PHCs functional despite building having been completed resulted in unfruitful expenditure of Rs 39.60 lakh on construction of mini PHCs and also led to denial of intended benefits to the public.

The matter was referred to Government (April 2007); reply has not been received (August 2007).

LOCAL GOVERNMENT DEPARTMENT

4.2.5 Avoidable payment of penal interest

Failure of Department to repay instalments of loan in time resulted in avoidable payment of penal interest amounting to Rs 19.69 lakh.

The State Government arranged two loans amounting to Rs 28.51 crore (Rs 14.26 crore in March 1991 and Rs 14.25 crore in March 1992) from Life Insurance Corporation of India (LIC), to finance the Urban Water Supply and Sewerage Schemes being executed through Punjab Water Supply and Sewerage Board. As per agreements executed with the LIC, the repayment was to be made in six monthly instalments starting from August 1991 and August 1992 respectively and if the borrower failed to repay the amount of an instalment on due date, the same would have to be paid with a compound interest at the rate of 12 *per cent* or at the rate of interest for such loans which might be prevailing at the time of receipt of such defaulted instalment which ever was higher.

Scrutiny of records (December 2006) of Director, Local Government Chandigarh (Director) disclosed that repayment of four instalments (of each loan) falling due on first of August 2003, February 2004, August 2004 and February 2005 were delayed for a period upto 44 days. Thus, failure of the Department to repay instalments on time resulted in avoidable payment of penal interest amounting to Rs 19.69 lakh pertaining to the period from August 2003 to February 2005.

On being pointed out (February 2007) the Director, Local Government admitted (March 2007) that the delay in repayments of loans occurred due to administrative lapse.

The matter was referred to Government (February 2007); reply has not been received (August 2007).

4.3 Undue financial aid and avoidable expenditure

FINANCE DEPARTMENT

4.3.1 Avoidable financial burden on State exchequer

Without prior consent of HUDCO for preclosure of loan raising of another loan resulted in extra burden of Rs 180 crore and interest of Rs 39.15 crore on state exchequer.

The State Government took a loan of Rs 200 crore from the Housing and Urban Development Corporation Limited (HUDCO) (April 2000: Rs 100 crore and September 2000: Rs 100 crore) at the rate of 12.75 *per cent* per annum. The agreement entered between State Government and HUDCO did not contain clause of preclosure of loan. However, in the absence of consent of HUDCO for preclosure of loan, the Department raised (January 2004) another loan of Rs 180 crore from Punjab National Bank at the rate of 7.25 *per cent* per annum for making repayment of loan to HUDCO. However, HUDCO refused to accept repayment of loan in lump sum (preclosure) and reset (March 2005) the loan at revised rate of interest of 8.25 *per cent* after charging resetting charges of Rs 1.80 crore.

Thus, raising of loan without prior consent of HUDCO for preclosure/reset of loan resulted in extra burden of Rs 180 crore on State exchequer as the amount of loan was utilised for unspecified works besides payment of interest amounting to Rs 39.15 crore for the period February 2004 to March 2007.

The matter was referred to Government (May 2007); reply has not been received (August 2007).

PUBLIC WORKS DEPARTMENT
(BUILDINGS AND ROADS BRANCH)

4.3.2 Avoidable expenditure on National Highway

Approval of work of four-laning of National Highway with State funds burdened the State exchequer with Rs 14.09 crore.

National Highways Act, 1956 (Act) states that it is the responsibility of Government of India (GOI), Ministry of Road Transport and Highways (MORTH) to develop and maintain all National Highways (NH). GOI provides funds for this purpose and also pays agency charges at the rate of nine *per cent* to the State Government for the execution of NH works.

Audit scrutiny of records (January 2007) of Executive Engineer, Central Works Division, Patiala (EE) disclosed that instead of getting National Highway work executed out of GOI funds, the State Government proposed (November 2003) execution of work of four laning of NH-64 from Km 57 to 62.750 (Sewa Singh Thikriwala Chowk to Samana crossing near Bhakra Main Line of Patiala-Sangrur road) with its own funds and sought technical sanction from MORTH. In pursuance of technical sanction accorded by MORTH

(July 2004), the State Government administratively approved (March 2005) the work at a cost of Rs 9.95 crore with funding arrangement from Punjab Infrastructure Development Board (PIDB). The work was awarded (November 2006) to a contractor at a tendered cost of Rs 14.09 crore with the time limit of nine months. The work was in progress and an expenditure of Rs 2.28 crore was incurred up to April 2007.

Thus, incurring of expenditure out of State funds on four-laning of NH would eventually burden the State exchequer of Rs 14.09 crore.

On being pointed out (January 2007), the EE intimated (January 2007) that the work was carried out after sanction from MORTH on receipt of funds from PIDB. The reply was not acceptable as construction as well as development/ maintenance of NH was the responsibility of MORTH.

The matter was referred to Government (May 2007); reply has not been received (August 2007).

4.3.3 Avoidable expenditure during construction of rural roads

Failure to adopt the prescribed thickness of pavement of rural roads resulted in avoidable expenditure of Rs 1.12 crore.

The Ministry of Rural Development issued (September 2002) instructions to the State Executing Agencies (SEA) to follow the provisions contained in the Rural Road Manual (Manual) prescribed by the Ministry for implementing schemes under the Pradhan Mantri Gram Sadak Yojana (PMGSY). As per Manual, the specifications for the thickness of pavement for the design of the road were to be based on California Bearing Ratio (CBR) value of the site and as per projected number of commercial vehicles. As no traffic census could be done in case of unmetalled (katcha) roads, the Central Roads Research Institute (CRRI) had advised (February 2001) that the curves with minimum traffic census i.e. 0-15 commercial vehicles per day (Curve A) should be adopted for calculating the crust thickness of these roads.

Scrutiny of records of Executive Engineer, Construction Division, Muktsar (EE) disclosed (June 2004) that for the construction of 49 new rural roads, connecting hamlets and *shamshan ghats* etc., the Department adopted higher thickness of the pavement with excess thickness ranging between 15 mm and 120 mm against the provisions of Manual and advice of CRRI. The adoption of higher thickness against the prescribed thickness of pavement resulted in avoidable expenditure of Rs 1.12 crore on the construction of these rural roads.

On this being pointed out (June 2004), the EE confirmed (March 2005/May 2006) that the roads in question being new connectivity, no traffic census was possible and the crust thickness was taken in view of the CBR value and based on the technical advice (May 2005) of CRRI to assume the curves with the minimum [5] traffic census. Government/Chief Engineer also endorsed

[5] **0-15 Commercial vehicles per day.**

(July/ September 2006) the reply of EE. Reply of the Department was not acceptable because higher crust thickness was laid in violation of CRRI specifications.

The matter was again referred to Government (December 2006); the Government reiterated its reply (August 2007).

4.3.4 Avoidable expenditure

Failure of the Department to verify technical viability (laying a layer of WBM) before taking up the execution of work not only resulted in delay in completion of work but also in avoidable expenditure of Rs 57.39 lakh caused due to re-allotment of the items at higher rates.

Superintending Engineer (SE) Ferozepur Circle submitted (October 2003) a proposal to SE, State Circle Chandigarh-cum-Nodal Officer, National Bank for Agriculture and Rural Development (NABARD) for widening (3.66 mtr to 5.50 mtr) and strengthening the Fazilka-Hidumalkot road in Km. 0.00 to 21.52. Based on recommendation of SE, State Circle NABARD, State Government administratively approved (April 2004) the work at Rs 2.34 crore after deleting an item for providing one layer of water bound macadam (WBM) in the design. Chief Engineer (CE) accorded (September 2004) technical sanction of Rs 2.31 crore for the work. The work was awarded (October 2004) to Contractor A[6] at a cost of Rs 2.10 crore for completion within six months. The work was not completed and after execution of work costing Rs 1.08 crore, agreement was rescinded in August 2006.

Scrutiny of records (August 2006) of SE, Ferozepur disclosed that after awarding the work, the SE pointed out (February 2005) to the CE that laying of one layer of WBM (75 mm) after widening was technically required for profile correction before laying premix carpet (PC) correctly. Consequently, on physical inspection of road (September 2005), the CE submitted (November 2005) a separate estimate for laying one layer of WBM and got approved (January 2006) from the Government for Rs 1.03 crore. The work for laying one layer of WBM was awarded (June 2006) to another contractor B[7] at a tendered cost of Rs 1.39 crore. The work allotted to contractor 'B' was completed (February 2007) at a cost of Rs 1.29 crore. Similarly, the work of laying tack coat and PC on strengthened portion of road was allotted (October 2006) on tendered cost of Rs 94.84 lakh to another contractor C[8] at rates higher than already allotted rates of October 2004 for these items and work was under progress (May 2007).

Taking up the execution of work after deleting the item (laying a layer of WBM) without ascertaining the viability of the road without WBM layer resulted in avoidable expenditure of Rs 57.39[9] lakh due to re-allotment of the items at higher rates.

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6 **M/s Chabbra Engineer Works, Builders and Contractors, Abohar.**
7 **M/s M.P. Enterprises, Muktsar.**
8 **M/s Prem Paul, Abohar.**
9 **Avoidable expenditure on WBM: Rs 25.94 lakh; Tack coat: Rs 4.27 lakh and PC: Rs 27.18 lakh = Rs 57.39 lakh.**

The matter was referred to Government (February 2007); reply has not been received (August 2007).

4.3.5 Avoidable expenditure on construction of a road

The Department did not provide a clear site to the contractor and did not extend time for completing the work leading to avoidable expenditure of Rs 24.61 lakh on account of allotment of balance work on higher rates.

The Executive Engineer, Construction Division, Patiala (EE) awarded the work of "widening and strengthening of 8.60 km. of Patiala main road to a contractor (June 2005). This work was administratively approved (February 2005) for Rs 138.87 lakh and the contractor had tendered cost of Rs 111.44 lakh. The work was to be completed within three months.

The site had obstacles such as 11 KV LT lines, incomplete sewerage work (reach RD 1.35 to 1.80 Km) and part of the land was forest land that had not been diverted. The EE could not remove these obstacles. The contractor applied (November 2005) for time extension on grounds of non-removal of obstacles from the site. The EE granted time extension up to December 2005. As the obstacles were still not removed, the contractor applied (March 2006) for further time extension upto April 2006, on same grounds. The request was, however, turned down by the EE who imposed (May 2006) liquidated damages of Rs 8.35 lakh on the contractor under clause 2 & 3 of the agreement, observing that the contractor had not completed the work due to revision of ceiling premium and increased cost of quarry material. The contract was rescinded (May 2006) and the payment of Rs 37.98 lakh for the work done by the contractor was made in June 2006. The balance work was allotted (June 2006) to another contractor at a tendered cost of Rs 99.76 lakh which was completed in September 2006 and final payment of Rs 96.72 lakh was made (December 2006).

However, the same balance work could have been completed for Rs 63.40 lakh by the first contractor if the Department had given him the time extension and free site. Thus, action of the Department to rescind the contract despite having noticed increase in cost of material and the first contractor willing to complete the work (provided extension granted and site made available free from all hindrances) resulted in avoidable expenditure of Rs 24.61 lakh (Rs 32.96[10] lakh– Rs 8.35 lakh: liquidated damages) on account of allotment of balance work on higher rates.

On being pointed out (June 2006), the EE stated (June 2006) that balance work was got completed with the approval of higher authorities after levying penalty/damages as per agreement. The reply was not acceptable as the EE turned down the time extension and preferred to get the work done at higher rates ignoring request of outgoing contractor to do the work at old settled rates.

The matter was referred to Government (February 2007); reply has not been received (August 2007).

[10] **Rs 96.72 lakh – 0.36 lakh (extra items) – Rs 63.40 lakh = Rs 32.96 lakh.**

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

4.3.6 Avoidable payment of interest

Failure of the Department to make payment of enhanced compensation in time resulted in avoidable payment of interest Rs 1.25 crore.

As per financial rules[11], every government employee is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of the expenditure of his own money. In Land Acquisition cases, the Land Acquisition Act, 1894 provides for payment of interest on enhanced compensation for the period of delay in making payment to the land owners.

Audit scrutiny of records (August 2006) of Collector Land Acquisition, Punjab Urban Development Authority (CLA, PUDA) disclosed that payment of enhanced compensation of land including interest thereon amounting Rs 12.05 crore (Rs 5.75 crore compensation and Rs 6.30 crore interest) in 63 cases was payable between February 2001 and March 2003 as per decision of district court. But inspite of availability of funds, the CLA, PUDA made the payment between March 2003 and August 2005 with a delay ranging between 12 months and 55 months (excluding the period of 3 months for processing the claims/appeals). As a result, the CLA had to make enhanced payment of Rs 13.30 crore (compensation- Rs 5.75 crore; interest-Rs 7.55 crore). Thus, delay on the part of the CL A, PUDA to make payments on time resulted in avoidable payment of interest of Rs 1.25 crore.

On being pointed out (October 2006) in audit, CLA, PUDA stated (February 2007) that the payments could not be made in time due to shortage of staff, seeking legal advice and non-availability of funds. The reply was not acceptable because sufficient funds were available with CLA and the fact remains that abnormal delay (12 months to 53 months) in payment of claims caused avoidable payment of interest.

IRRIGATION AND POWER DEPARTMENT

4.3.7 Undue financial aid to private firm

Non-recovery of departmental charges of Rs 44.27 lakh on a deposit work executed on behalf of a private firm.

According to Departmental Financial Rules [12], departmental charges are leviable at the rate of 27.5 *per cent* on deposit works undertaken by any Government/Department on behalf of local body or other concerned. To

11 **Rule 2.10 (a) (i) of Punjab Financial Rules Vol.-I.**
12 **Paragraph 8 of Appendix II of DFR.**

provide canal water to a paper industry[13] for use in preparation of paper, the work of strengthening raising and lining of Upli distributory from RD-0 to 93490 was approved (May 2005) at an estimated cost of Rs 2.67 crore. As per provisions of the estimate, the head regulator at RD 93490 was to be constructed at Government expenses and for carrying water from RD 93490 to the site of work, the industry had to make their own arrangement.

Audit scrutiny of records of Executive Engineer, Sangrur IB Division Sangrur, (EE) disclosed (July 2006) that the work was, however, split-up to ten sub estimates for different RDs from 0 to 93490 and got approved at the aggregate cost of Rs 2.33 crore which included departmental charges at the rate of 27.5 *per cent*. Funds of Rs 1.62 crore were deposited with the Division between December 2004 and August 2005 by the firm for execution of work. The EE took up the work in May 2005 and an expenditure of Rs 1.61 crore was incurred as of July 2007. However, the departmental charges of Rs 44.27 lakh were not recovered from the firm despite making provisions in the estimate of works.

On being pointed out (July 2006), the Department intimated (January 2007) that the departmental charges in this case had been waived off by the Punjab Government (September 2006). The reply is not acceptable because the sanction for waiving of departmental charges is for micro hydel projects and was not applicable in the present case in which canal water was to be supplied for production of paper and towel.

The matter was referred to Government (October 2006), reply has not been received (August 2007).

4.4 Idle investment/idle establishment/blocking of funds, delay in commissioning, diversion/misutilisation of funds.

4.4.1 Forfeiture of central assistance

Non-implementation of centrally sponsored schemes resulted in forfeiture of central assistance of Rs 47 crore besides wasteful expenditure of Rs 55 lakh on abandoned schemes.

Government of India (GOI) funds sanctioned for central/centrally sponsored schemes were not fully availed by the State Government. The details of non-availment of central assistance were as under:

[13] **M/s Abhishek Industries Ltd, a unit of Trident Group of Industries, Dhaula District Sangrur.**

Name of work/ department	Estimated cost	GOI share	GOI share received	Short availed	Remarks
	Rupees in crore				
Sector Reform Project comprising 117 schemes (Water Supply and Sanitation Department)	39.93 (10/2002)	35.94 (90%)	11.20	24.74	GOI released its first installment of Rs 11.20 crore in 1/2001 for execution of 117 schemes. Department took up 35 schemes for execution in 2001. Of which, 15 schemes were completed at Rs 4.07 crore, 8 schemes (expenditure Rs 1.27 crore) in progress, 8 schemes abandoned (expenditure Rs 0.55 crore) and 4 schemes not taken up as of March 2007.
Augmentation/strengthening of 43 existing rural water supply schemes. (Water Supply and Sanitation Department)	27.05 (9/2000)	20.28	9.18	9.45 (75% of Rs 12.60 crore)	Out of 43 existing rural water supply schemes, 22 were completed at a cost of Rs 11.91 crore and 20 schemes (Rs 14.44 crore) were placed under NABARD loan(Rs 12.60 crore; State share-1.84 crore) on the plea that pace of release of central funds was slow. However, out of 20 only 13 schemes were completed (Rs 8.16 crore), one suspended and seven were yet in progress (March 2007). The execution of schemes from NABARD loan deprived the State Government of central assistance of Rs 9.45 crore (75 percent of Rs 12.60 crore) and also created liability of interest amounting to Rs 3.06 crore on NABARD loan up to March 2007.
Solar Photo Voltaic Pump (Science & Technology Department)	12.74 (3/2004)	12.74	6.37	10.01 (6.37+3.64)	Central assistance of Rs 12.74 crore was sanctioned for installation and commissioning of 700 SPVP sets. Rs 1.82 lakh per pump was to be provided as central assistance and balance Rs 0.30 lakh by the State Government and Rs 0.65 lakh by the beneficiary. The work was to be done by Punjab Energy Development Agency. Only 150 pumps (Rs 2.73 crore) were commissioned and balance Rs 3.64 crore refunded to GOI. The remaining GOI share of Rs 6.37 crore was also not released.
Strengthening and Updating of Land Records (Revenue Department)	5.66 (12/2002 -3/2005)	2.83	2.83	2.83	Work could not be started as such amount remained unutilized.
				47.03	

In three civil departments, funds sanctioned by Government of India for central/ centrally sponsored schemes were not fully availed mainly due to delay in completion of schemes, non-release of central funds by the State Government to the executing departments or non-release of state's share by the State Government. This resulted in denial of central assistance amounting to Rs 47 crore besides wasteful expenditure of Rs 55 lakh on abandoned schemes.

The above cases have been referred to Government (September–December 2006); replies have not been received (August 2007).

IRRIGATION AND POWER DEPARTMENT

4.4.2 Idle expenditure on works

Works were sanctioned and execution started but abandoned due to paucity of funds after incurring sizable expenditure. Failure to ensure availability of funds resulted in idle expenditure of Rs 5.01 crore.

While considering implementation of any project, 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 works should be planned in such a manner that no work is abandoned half way causing idle investment.

4.4.2.1 Test check of the records of two[14] Divisions disclosed that despite administrative approval and technical sanction of different projects for development of infrastructure, funds were released initially but stopped when the construction was mid-way. The infrastructure was thus left unfit for utilisation for the intended purposes. Such systemic failure caused by spreading the resources too thin over a large number of works led to blockage of funds and also resulted in creation of assets that can not be put to use. Some of the illustrative cases of this kind of systemic deficiency are reported below:

Audit scrutiny (March 2006) of the records of Executive Engineer, Shahpurkandi Dam, Division No. I, Shahpurkandi Township (EE) disclosed that EE prepared (September 1999) detailed estimate of Rs 24.06 crore for the work "Open cut excavation of Shahpurkandi Dam Project". As per report of estimate, the excavation pits get silted up during rainy season due to rise in water level in the river and entering the flood water in the pits. The Chief Engineer, Shahpurkandi Dam Project (CE) without availability of detailed drawings accorded (May 1999) anticipatory sanction of Rs eight crore and the work was started in May 1999 in the absence of drawings. The detailed drawings were, however, approved late in October 1999 by Design Organisation, Chandigarh. Against the estimated quantity of 1720177 cum earth work to be executed, only 287266 cum earth work was executed at a cost of Rs 2.70 crore upto October 2003 and thereafter the work was stopped on the directions of CE due to paucity of funds. The CE subsequently sanctioned the technical estimate (February 2004). The work had not been resumed so far (May 2007).

Thus, taking up execution of work in absence of detailed drawings and without ensuring funds availability resulted in unfruitful expenditure of Rs 2.70 crore.

On being pointed out (March 2006), the EE stated (March/June 2006) that the work could not be completed due to paucity of funds.

The matter was referred to Government (May 2007); reply has not been received (August 2007).

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[14] **Shahpurkandi Dam, Division No. I, Shahpurkandi Township.**
Mansa Division, IB, Jawaharke (District Mansa).

4.4.2.2 With a view to increase intensity of irrigation[15] for the coverage of more Culturable Commanded Area[16] and also to ensure authorized supply of water at the tails, State Government approved (between July 1999 and November 2001), project estimate for the "Rehabilitation of Dhudal Branch System off taking at RD 800/L (Rs 3.47 crore); Ghuman Distributory off taking at RD 267900/R (Rs 3.75 crore) and Bhikhi Distributory off taking at RD 214623/L of Kotla branch (Rs 9.89 crore)", for the total length of 301.38[17] Km. with 20 *per cent* enhanced capacity. The work was sanctioned under state plan and was scheduled to be completed by March 31, 2005.

Audit scrutiny of records (January 2005) of the EE, Mansa Division, IB, Jawaharke (District Mansa) and further information collected (December 2005–February 2007) disclosed that the works[18] were taken up for execution between September and November 2001 with available funds of Rs 2.26[19] crore. After executing the work i.e. earth work and lining of 49.76[20] Km. length (against the proposed length of 301.38 Km) at a cost of Rs 2.31[21] crore, the work was stopped in February/March 2002 due to non-availability of balance funds. National Bank for Agriculture and Rural Development (NABARD) was approached (March 2005) to obtain balance funds as loan. But, neither NABARD sanctioned the project nor the State Government released balance funds, thereby rendering the expenditure of Rs 2.31 crore incurred on construction of lining in intermittent reaches unfruitful and also deprived the intended benefits to the farmers.

On this being pointed out (January 2005), EE admitted (August 2006) the facts.

The matter was referred to Government (November 2006); reply has not been received (August 2007).

4.4.3 Retention of money outside government accounts

Drawal of money from treasury and its retention outside government accounts resulted in blockage of funds amounting to Rs 3.14 crore and loss of Rs 66.15 lakh on account of interest to State exchequer.

Financial rules provide that no money should be withdrawn from treasury unless it is required for immediate disbursement. Further, Punjab Treasury Rules prohibited deposit of money drawn from treasury in the commercial banks except with the special permission of State Government. Department of Finance impressed upon (August 1999) all the departments to ensure the compliance with the Financial Rules.

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15 **The percentage of Culturable Commanded Area where irrigation is to be done annually.**

16 **The area where cultivation is possible.**

17 **Dhudal Branch (62.93 Km), Ghuman Distributory (61.25 Km) and Bhikhi Distributory (177.20 Km).**

18 **Dhudal Branch System (25.9.2001), Ghuman Distributory (29.11.2001) and Bhikhi Distributory (26.10.2001).**

19 **PIDB (Rs 1.86 crore), State Government (Rs 0.40 crore).**

20 **Dhudal Branch (6.40 Km), Ghuman Distributory (36.01 Km) and Bhikhi Distributory (7.35 Km).**

21 **Dhudal Branch System (Rs 45.12 lakh), Ghuman Distributory and Bhikhi Distributory (Rs 185.48 lakh)**

FINANCE DEPARTMENT

4.4.3.1 Scrutiny of records (December 2004) of District Senior Savings Officer, Rupnagar (DSSO) and information subsequently collected (April 2007 and May 2007) from the Director Cultural Affairs, Archaeology and Museums (Director) Punjab, Chandigarh disclosed that the Government sanctioned (January 2004) Rs two crore out of the Chief Minister's discretionary quota for conservation of Quila Mubarak Patiala. The DSSO drew (January 2004) the amount and placed (February 2004) at the disposal of the Director. The funds were lying unutilized with the Director as the Department had yet not decided the executing agency as of July 2007. This resulted in blocking of Rs two crore besides loss of interest of Rs 26.41 lakh calculated on borrowing rate of Government. On being pointed out, the Director intimated (April 2007) that the Government was yet to decide to execute this project through INTACH or some other agency.

HOME AFFAIRS AND JUSTICE DEPARTMENT

4.4.3.2 Scrutiny of records (July 2006) of the Director General of Home Guards and Civil Defence, Punjab, Chandigarh (DGP) disclosed that though the Department had yet not identified the site for construction of building of Combined Training Institute (CTI) at Mohali, an amount of Rs 1.14 crore allocated for construction of the building between March 2005 and October 2005 placed at the disposal of Punjab Police Housing Corporation Limited, Chandigarh (Corporation) was lying unutilised with the Corporation (April 2007). This resulted in blockage of Rs 1.14 crore besides loss of interest of Rs 15.65 lakh. On being pointed out the DGP intimated (July 2006) that request for allotment of a plot measuring 46 acre at Mohali had been submitted to State Government in March 2006 so that the funds could be utilized.

The matters were referred to Government (April 2006/October 2006); the replies have not been received (August 2007).

LOCAL GOVERNMENT DEPARTMENT

4.4.3.3 Scrutiny of records (December 2006) of Director Local Government Punjab, Chandigarh (Director) disclosed that in contravention of rules/ instructions *ibid*, the Director drew lumpsum amounts (April 2004 and January 2007) from treasury and deposited the same in a current account opened in State Bank of India, Chandigarh without obtaining special permission of competent authority. Scrutiny of withdrawals from treasury vis-à-vis disbursements made to local bodies revealed that the amounts drawn were in excess of requirement. Consequently heavy monthly balances ranging between Rs 31 lakh and Rs 15.46 crore rested in current account from April 2004 to April 2005.

The drawal of money in excess of requirement and retaining the same outside government accounts not only adversely affected the ways and means position of the government, but also resulted in loss of Rs 24.09 lakh to the State exchequer in the shape of interest calculated on borrowing rate of interest for the period from April 2004 to April 2005.

On being pointed out (December 2006), Department stated (December 2006) that funds were required for settlement of loan of Housing and Urban Development Corporation. Reply was not acceptable because treasury rules carried sufficient provisions for deposit and drawl of money on government accounts.

The matter was referred to Government (March 2007); reply has not been received (August 2007).

DEPARTMENT OF CULTURAL AFFAIRS, ARCHAEOLOGY AND MUSEUMS

4.4.4 Non-commissioning of chillers

Failure of the Department to commission chillers for the last five years resulted in blockage of Rs 2.36 crore.

The Chief Executive Officer, Anandpur Sahib Foundation (CEO,ASF) allotted (March 2000) the work of construction of Khalsa Heritage Memorial Complex, Anandpur Sashib to an agency[22]. The cost of the work was Rs 92.68 crore and was to be completed within 30 months (September 2002). The work inter-alia included providing, fixing and commissioning of centrifugal chillers at a cost of Rs 3.12 crore.

Audit scrutiny (May 2005) of accounts of CEO, ASF and information collected subsequently disclosed that though work for Rs 31.74 crore only (29.42 *per cent*) was executed, the contractor procured (January 2002) four centrifugal chillers having warranty of five years. Against this, the Department made (October 2002) payment of Rs 2.36 crore to the contractor but no action was initiated to install electric supply to test and operate the chillers. The chillers remained untested (April 2007) and in the mean time the warranty lapsed (January 2007). Failure of Department to commission chillers for the last five years resulted in blockage of Rs 2.36 crore.

On being pointed out, the Superintending Engineer (ASF) admitted the facts and stated (May & July 2006) that electric connection was not taken as it would result into payment of fixed electric charges and cost escalation was saved by purchasing chillers in advance and these will be commissioned before February 2007. However, the chillers had still not been commissioned (August 2007).

The matter was referred to Government (February 2006); reply has not been received (July 2007).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.4.5 Unutilised blood gas analysers

Procurement of blood gas analysers without assessing requirement of field hospitals and engaging qualified staff rendered the expenditure of Rs 83.17 lakh unfruitful.

Financial rules provide that purchases must be made in most economical manner and in accordance with definite requirements of public service.

Test check of records (January 2007) of Managing Director, Punjab Health Systems Corporation, Mohali (PHSC) (MD) disclosed that without having the

[22] **L & T Limited.**

requirement assessed from user hospitals, which also did not have qualified staff, the MD procured 31 Blood Gas Analysers (seven in September 2000 and 24 in June 2001) at a cost of Rs 83.17 lakh. These are used for measuring proportion of oxygen and carbon-dioxide in the blood of critically ill patients during treatment in emergency/intensive care units. The equipment were installed in 31 hospitals in the state under the control of PHSC between February 2002 and May 2002. The information collected from 16[23] hospitals, where the equipment were installed, however, revealed that blood gas analysers were lying un-operational (January 2007). This resulted in idle expenditure of Rs 83.17 lakh besides public was denied the intended facilities of blood gas analysers for over four years.

On being pointed out the MD, while admitting the facts, stated (January 2007) that purchases were not based on the requirements of the public service and these equipment were purchased under revamping exercise with the idea to upgrade the service more than what were the requirements of the public. He further stated that any qualified lab technician could operate this equipment and sufficient lab technicians were available at all the hospitals where the equipment were installed. But Senior Medical Officers incharge of Civil Hospitals had confirmed (August 2006 to June 2007) that equipment were lying unutilized as neither the equipment were indented by them nor the qualified staff for its operation was posted.

The matter was referred to Government (February 2007); reply has not been received (August 2007).

4.5 Regularity Issues and Others

AGRICULTURE DEPARTMENT

4.5.1 Non-levy of departmental charges

Failure of the Department to levy and recover the departmental charges resulted in loss amounting to Rs 4.94 crore to the state exchequer.

According to the Departmental Financial Rules (DFR), the recovery of cost of establishment should be made at the prescribed percentage rates of cost of works done for other departments and non-government works. In case of Industries Department, where land on behalf of local authority, private bodies and companies was acquired, the State Government decided (April 1992) to levy and recover departmental charges at the rate of 14 *per cent* on the cost of land acquired.

Test check of records (October 2006) of the Director, Colonization and Land Acquisition, Punjab, Chandigarh (Director) disclosed that land measuring 372 acres was acquired at a cost of Rs 35.28 crore for Punjab State Agricultural Marketing Board (Board) between April 2001 and October 2006 for

[23] **SMO Civil Hospital (i) Abohar (ii) Anandpur Sahib (iii) Bathinda (iv) Faridkot (v) Fatehgarh Sahib (vi) Kapurthala (vii) Khanna (viii) Mansa (ix) Moga (x) Mohali (xi) Muktsar (xii) Nawanshahr (xiii) Patiala (Mata Kaushalya Hospital) (xiv) Phagwara (xv) Rajpura (A.P. Jain Civil Hospital) and (xvi) Ropar.**

development of 15[24] mandies in the State. However, the Department did not recover departmental charges leviable on the cost of land acquired from the Board. Failure of the Department to levy and recover the departmental charges as per rules resulted in loss of revenue amounting to Rs 4.94 crore to the State exchequer.

On being pointed out (October 2006), the Director admitted (October 2006) the facts and intimated that the matter regarding recovery of departmental charges had been referred (December 2006) to the Board. Further progress was awaited (July 2007).

The matter was referred to Government (February 2007); reply has not been received (August 2007).

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 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 Accountant General's office for vetting before submission to PAC.

Out of 145 paragraphs and reviews included in the audit reports relating to the period 2000-2001 to 2004-05, which, had already been laid before the State Legislature, ATNs in respect of 73 paragraphs and 18 reviews as detailed below had not been received in the Audit Office as of March 2007, 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
2000-2001	33	08
2001-2002	31	11
2002-2003	29	25
2003-2004	31	28
2004-2005	21	19
Total	**145**	**91**

Department-wise analysis is given in the ***Appendices 4.27 and 4.28*** respectively. Departments largely responsible for non-submission of ATNs were Public Works, Housing and Urban Development, Health and Family Welfare, General Administration and Education. 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.

[24] **1. Attari 2. Badhani Kalan 3. Breta 4. Jhunir 5. Dakha 6. Ghagga 7. Ghagga Additional Area 8. Harike 9. Lalru 10. Mour 11. Nakodar 12. Nihal Singh Wala 13. Phillaur 14. Sahnewal and 15. Sultan Pur Lodhi.**

CHAPTER-V

INTERNAL CONTROL SYSTEM

CHAPTER-V

INTERNAL CONTROL SYSTEM

5.1 Internal Control in Jail Department

Highlights

HOME AFFAIRS AND JUSTICE DEPARTMENT

Internal Control is an integral component of an organization's management processes which are established in order to provide reasonable assurance that the operations are carried out effectively and efficiently, financial reports and operational data is reliable and the applicable laws and regulations are complied with so as to achieve organizational objectives. Internationally the best practices in Internal Control have been given in the COSO[1] framework which is a widely accepted model for internal controls. In India, the Government of India (GOI) has prescribed comprehensive instructions on maintenance of internal control in government departments through Rule 64 of General Financial Rules 2005. A review of internal control of selected areas of Jail Department has shown that budget preparation required strengthening, the prescribed reports and returns were not being furnished to the management. Some other important findings are given below:

- ***Physical verification of stock was not being done in most of the test checked units.***

(Paragraph 5.1.5.3)

- ***There were several shortcomings in the maintenance of cash books.***

(Paragraph 5.1.5.4)

- ***There were wide variations in the ratio of custodial staff to prisoners across the jails.***

(Paragraph 5.1.6.5)

- ***No Internal Audit of the Jail Department had been done by the Internal Audit organization of the State.***

(Paragraph 5.1.7.2)

5.1.1 Introduction

Prisons form part of the criminal justice system and provide custodial care to offenders and thus isolating them from the society at large. Jail Department also seeks to reform and re-habilitate offenders by giving them appropriate correctional treatment.

1 **Committee of Sponsoring Organisations of National Commission on Fraudulent Financial Reporting or the Treadway Commission.**

5.1.2 Organizational set up

The Principal Secretary, Home Affairs and Justice, Punjab, Chandigarh is the overall in-charge of the Jail Department. The Director General of Police-cum-Inspector General of Prisons, Punjab (DGP) is the Head of the Department and is assisted by Inspector General, Prisons (IGP), Deputy Inspector General of Prisons (DIGP), Assistant Inspector General of Prisons (AIGP), Chief Welfare Officer and Chief Probation Officer.

There are 27[2] Jails/Sub Jails, 12 District Probation Officers and a Jail Training School at Patiala. Each Central Jail functions under the control of a Superintendent while other jails are managed by Superintendents/Deputy Superintendents.

5.1.3 Audit Objectives

This review of internal control has been conducted to test compliance with the Punjab Financial Rules, Punjab Treasury Rules, instructions in the Budget Manual and Punjab Jail Manual (Manual) and related accounting instructions. In addition, the arrangements for information, communication, monitoring and evaluation including Internal Audit and Vigilance have been examined. Internal control activities designed and put into operation for enforcing the management directions have also been examined for some selected areas.

5.1.4 Audit coverage

The review on Internal Control in Jail Department, covering the period 2002-07 was conducted between September 2006 and July 2007 through a test check[3] of records of the DGP, ten jails (four Central Jails, six District Jails/Sub Jails) and three District Probation Officers[4].

5.1.5 Compliance with State Financial Rules and Budget Manual

5.1.5.1 Compliance with provisions of Budget Manual

Budget Manual requires the Finance Department (FD) to supply by 1 of July to Heads of Departments printed forms for preparing and forwarding the budget estimates to them. Further, the Budget Manual requires that budget proposals for ensuing year should be submitted by 1 October or the date scheduled by FD. During the period under review (2002-07), the FD delayed supply of forms to the Department by 12 days to two and half months and the Department in turn delayed the submission of budget estimates by one to two months to the FD during four of the five years under review.

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2 **Seven Central Jails, Five District Jails, One Borstal Jail Ludhiana, One Women Jail Ludhiana, Two Open Jails and Eleven sub-jails.**

3 **Central Jails: Amritsar, Bathinda, Ferozepur and Ludhiana.**
District Jail: Hoshiarpur, Kapurthala, Open Air Jail Kapurthala sub-jail Moga, Ropar and Borstal Jail Ludhiana.

4 **District probation officers: Ludhiana, Patiala and Sangrur**

(Rupees in crore)

Year	Budget allocation	Funds released	Expenditure as intimated by the Department	Savings w.r.t. budget allocation (Amount)	Percentage
1	2	3	4	5	6
2002-03	56.30	51.44	47.91	8.39	15
2003-04	65.56	53.89	51.95	13.61	21
2004-05	74.29	73.29	65.34	8.95	12
2005-06	68.02	67.52	63.48	4.54	7
2006-07	85.32	74.15	68.44	16.88	20
Total	**349.49**	**320.29**	**297.12**	**52.37**	

Control on budgeting was weak as savings were not surrendered

Against a budget allocation of Rs 349.49 crore, State Government released Rs 320.29 crore during 2002-07. Department could not utilize the released amount in any of the five years which resulted in a total saving of Rs 52.37 crore. The Budget Manual requires that savings are to be surrendered to the FD by 15 January. There were savings ranging from Rs 4.54 crore to Rs 16.88 crore with respect to final budget allocation but in no year did the Department make any surrender by the stipulated date. It was further observed that during 2003-06 no provision was originally made in schemes (Plan and Non-Plan) under the Major Head 4055. Supplementary Budget of Rs 10.93 crore was sought, but this was neither spent nor surrendered till the end of the year. This is indicative of weak monitoring of expenditure by the Department.

5.1.5.2 Prescribed system for ensuring inclusion of liabilities in the budget through a Register of Liabilities not being done.

Para 12.11 of the Budget Manual requires each Drawing and Disbursing Officer (DDO) to maintain a Register of Liabilities in a prescribed format. Liabilities in view at the time of budget preparation and those anticipated to arise during the year are to be incorporated in the Register to facilitate both expenditure control and preparation of Budget Estimates.

Prescribed system to ensure inclusion of liabilities in the budget estimates not followed

In seven[5] jails out of ten[6] test checked (October 2006 to March 2007) Liability Register was not maintained. In these jails claims of Rs 2.97 crore for supplies and services provided by the linked Jail Factory/ other Jails were pending. Except in one case, budget demands were not prepared after taking into account such liabilities. In the absence of enforcement of the provisions of the Budget Manual regarding maintenance of a Liability Register for incorporation of liabilities in budget estimates, the process of budget preparation was vitiated and the figure of expenditure depressed due to accumulation of liabilities incurred but not paid.

The DDOs admitted the facts and promised action.

5 Central Jails: Amritsar, Ferozepur and Ludhiana, District Jails: Hoshiarpur and Kapurthala, Open Air Jail Kapurthala and Sub-Jail Moga.

6 Centrals Jails: Amritsar, Bathinda, Ferozepur, Ludhiana, District Jails: Hoshiarpur,Kapurthala, Open Air Jail, Kapurthala, Borstal Jail, Ludhiana, Sub-Jail,Moga and Ropar.

5.1.5.3 Physical Verification

Annual physical verification of stores and stock was not being done

Punjab Financial Rules (Rule 15.16) require physical verification of store and stock items be conducted at least once in a year by the Head of Department. It was observed that annual verification of stores and stock was not conducted since 2002 in eight[7] jails and three offices of District Probation Officers In absence of physical verification of stores and stock; losses, shortages and deterioration in store and stock cannot be determined, not conducting physical verification can also lead to malpractices.

5.1.5.4 Deficiencies in maintenance of cash books

The cash balances were not verified by the DDOs

The Punjab Financial Rules (Volume-I) lay down rules for maintenance of cash books. Test check of cash books for 2002-07 maintained by 13 DDOs disclosed that:

- Nine[8] DDO's neither checked the totals themselves nor got them checked from a responsible official other than writers of the cash book as required by Rule 2.2 (iii).
- Ten[9] DDO's did not record the certificate of count of cash balances at the close of each month as required by Rule 2.2 (iv).
- Superintendents of Central Jail Bathinda and District Jail Hoshiarpur did not deposit receipts totaling Rs 1.57 lakh collected between November 2005 and February 2007 into the treasury on time as required by Rule 2.4.
- Nine[10] DDO's did not obtain cash security/surety bonds from officers/officials dealing with cash and stores as required by Rule 3.5 of Punjab Treasury Rules.

5.1.6 Internal Control Activities

Compliance with provisions of the Jail Manual

5.1.6.1 Non-formation of reception centre

Para 369 of the Manual requires that on admission, all prisoners, be kept in an earmarked reception centre for a fortnight for studying and then segregating them to specially marked wards to ensure that they were free from contagious diseases and apprising them of rules and regulations of jails, health, sanitation,

[7] **Central Jails Amritsar, Bathinda, Ferozepur, Ludhiana, District Jails Hoshiarpur, Kapurthala, Open Air Jail Kapurthala, Sub-Jail Moga and District Probation Officer Ludhiana, Patiala and Sangrur.**

[8] **Central Jails: Bathinda, Ferozepur, District Jails: Hoshiarpur, Kapurthala, Open Air Jail, Kapurthala, Borstal Jail, Ludhiana, Sub-Jail: Ropar, Moga, and District. Probation Officer, Ludhiana**

[9] **Central Jails: Bathinda, Ferozepur, Ludhiana, District Jails: Hoshiarpur, Kapurthala, Borstal Jail, Ludhiana, Sub-Jails: Moga, Ropar, District Probation Officer, Ludhiana and Open Air Jail, Kapurthala.**

[10] **Central Jail Bathinda Ferozepur and Ludhiana; District Jail Hoshiarpur and Kapurthala; Open Air Jail Kapurthala and Sub-Jail Moga., Ropar and Borstal Jail Ludhiana.**

discipline, etc. This was not done in respect of 9864 prisoners admitted during 2002-06 in nine [11] jails out of ten test checked as no accommodation was earmarked for the reception centre. Therefore, safeguard provided for ensuring that prisoners are not exposed to diseases brought in by new prisoners is not operating. The number of patients suffering from infectious diseases had increased from 13 in 2002-2003 to 207 in 2006-07 in Central Jail, Amritsar but this fact was not reported, as required, to higher authorities, as prescribed return under paras 966 and 967 of the Manual was not being prepared.

5.1.6.2 Classification Committees not formed.

Para 369 of the Manual lays down that a Classification Committee of correctional officers/social workers/educational officers should be formed in each Central/District Jail with concerned Superintendent as its Chairman. The Committee would meet at such regular intervals to classify newly admitted prisoners (sentenced for one year or more) within a week and interview them for treatment/training/solving problems/adjustment.

Classification committee for prisoners was not formed

No committee was formed in nine [12] Jails out of ten test checked in audit whereas 9864 new prisoners came to these jails during the period 2002-2006. This prevents proper segregation of prisoners and also deprives them of proper counselling and advice from professionals as envisaged in the manual.

Superintendent Central Jail Amritsar expressed inability to comply with the rules on the plea of over crowding which is not relevant to audit observation. Superintendent Central Jail Bathinda stated (May 2007) that classification of new prisoners was being done by jail officers but the same would be done in future in a more scientific manner, others admitted the facts.

5.1.6.3 Escape of prisoners

Out of 145 prisoners having escaped from Jails, only five were re-arrested

The Manual (Para 343) provides that a brief report on every escape that took place would be submitted to IGP at once followed with full report thereof in duplicate for sending one copy of the report to Government. Test check of records of the IGP disclosed that 145 prisoners escaped between 2002 and 2006, of these only five prisoners were re-arrested. The first information reports (FIRs) were filed in three cases and enquiries finalized in two cases only. In 76 cases concerned officers did not report to IGP whether enquiry, if any, was instituted. In remaining 66 cases action was initiated but was not finalized (May 2007).

The IGP did not report these escape cases to Government as required under provisions of the Jail Manual, this prevents proper monitoring of the situation by the Government.

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[11] **Central Jail: Amritsar, Bathinda, Ferozepur, Ludhiana, District Jails: Hoshiarpur, Kapurthala, Sub-Jails: Moga, Ropar and Borstal Jail Ludhiana.**

[12] **Central Jails: Amritsar, Bathinda, Ferozepur,Ludhiana, District Jails: Hoshiarpur, Kapurthala, Borstal Jail Ludhiana and Sub-Jails: Moga ,Ropar.**

5.1.6.4 Non-production of prisoners under-trial before the courts

The Manual (Para 4 and 728) provides that the prisoners under-trial should be placed in custody of police for conveyance to court on the dates mentioned in the warrant of the prisoner and that State would endeavour to evolve proper mechanism to ensure that no under-trial prisoner was unnecessarily detained.

Under-trial prisoners were not produced in courts on due date

Records of nine[13] Jails out of ten revealed that during April 2006 and March 2007, 21990 under-trial prisoners were not produced before courts on due dates due to lack of police escort.

5.1.6.5 Manpower management

There is wide variation in ratio of security staff to prisoners across prisons

The Department has a sanctioned strength of 5053 employees, no centralized record of sanctioned strength vs. men-in-position in different jails was apparently maintained, as the DGP on enquiry (September 2006) for this information, stated (November 2006) that the required information would be collected and provided from different jails. The position of sanctioned strength of security personnel, men-in-position and number of prisoners in the nine jails test checked is given below:

Sr. No.	Name of Jail	Security Personnel				Ratio of	
		Sanc-tioned	Men in Position	Autho-rized capacity of jail	Actual average prisoner popula-tion	Authorized capacity of prisoners to sanctioned security staff	Actual prisoner population to actual security staff in position
1	Central Jail, Amsirtsar	257	257	1500	2341	6:1	9:1
2	Central Jail, Bhatinda	162	160	626	1304	4:1	8:1
3	Central Jail, Ferozepur	227	183	1036	1725	5:1	9:1
4	Central Jail, Ludhiana	165	153	2500	2459	15:1	16:1
5	District Jail Hoshiarpur	67	62	278	492	4:1	8:1
6	District Jail Kapurthala	55	44	250	312	5:1	7:1
7	Sub-Jail Moga	37	37	45	136	1:1	4:1
8	Sub-Jail Ropar	28	27	260	426	9:1	16:1
9	Borstal Jail Ludhiana	89	88	300	245	3:1	3:1
	Total	**1087**	**1011**	**6795**	**9440**		

[13] **Central Jail, Amritsar, Bathinda, Ferozepur and Ludhiana; District Jail Hoshiarpur and Kapurthala, Sub-Jail Moga and Ropar, Borstal Jail,Ludhiana.**

In nine jails, ratio of authorized capacity of jails to sanctioned strength of security staff varied from 1:1 to 15:1 and that of actual prisoner population to security staff in position from 3:1 to 16:1. Thus, the security staff sanctioned for a jail did not bear any relation to the authorized capacity of the jail. Similarly, the security staff in position did not bear any relation to the actual population of the prisons.

Prescribing and maintaining an optimum ratio of security staff to prisoners would help in proper discharge of custodial duties. It is to be noted that the Bureau of Police Research and Development, Ministry of Home Affairs, GOI in Model Prison Manual for the Superintendence and Management of Prisons in India recommended (2003) that the strength of custodial/guarding staff would be determined keeping in view the requirements of security, discipline, programme emphasis, duty posts, workload and distribution of functions. The Model Prison Manual recommends in principle one guarding staff for every six prisoners.

5.1.6.6 Under utilization of capacity of Jail Training School

The Jail Training School at Patiala can impart basic training and refresher courses to 600 officials annually. These courses include training in psychology, criminology, human rights, yoga, weaponry, service rules, mob control etc. During 2002-07 against the capacity to impart training to 3000, only 1128 (38 *per cent*) were trained (September 2006). Record showing training needs, personnel trained, personnel yet to be trained, programme/planning for imparting training to personnel to be trained, etc. could not be produced to audit. In absence of such data, the training of personnel cannot be assessed and met. There is a need to establish a system of assessing the training needs of personnel and ensuring that these are met.

5.1.6.7 Congestion in prisons

The position of authorized capacity of Jails and actual jail population during 2003-07 is given below:

Congestion in prisons remained unabated as central assistance of Rs 1.22 crore was not released due to delay in utilization of grant already received and Rs 56 lakh were spent in a jail where there was no congestion

(Figures in number)

Year	Authorized capacity	Average actual prisoners admitted	Percentage of overcrowding
2003-04	10854	14665	35
2004-05	10854	13942	28
2005-06	11274	14822	31
2006-07	11274	15019	33

Note: position for 2002-03 was not made available by department

As per perspective plan 2000-04, approved by Eleventh Finance Commission, Rs 2.20 crore was to be incurred for sleeping accommodation for prisoners where overcrowding exceeded 25 *per cent*. Against this, Rs 98 lakh received

(2001-02) were spent (2003-05) in Sub Jail, Ropar (Rs 42 lakh) and Central Jail, Ludhiana (Rs 56 lakh) on sleeping accommodation. Remaining funds of Rs 1.22 crore were not released due to delay in utilization. During review it was noticed that during 2003-05, there was over crowding beyond 25 *per cent* in six[14] jails out of ten jails test checked. There was no overcrowding in Central Jail Ludhiana as per sanctioned strength. Thus, the Department has not attended to congestion in five of the ten over crowded prisons.

5.1.6.8 Maintenance and operation of accounts of prisoners' wages

Wages of prisoners were being kept as cash in hand instead of being deposited in accounts in their favour

Punjab Jail Industries Earning Scheme requires that Superintendent of Jails should keep the earnings of prisoners in the treasury in a Personal Ledger Account (PLA). However, with deference to an affidavit given by the GOI in the Hon'ble Supreme Court, the ADGP directed (August 2006) all Superintendents of Jails that with effect from 15 August 2006, 75 *per cent* of wages earned by prisoners were to be deposited in the nearest post office in the name of the prisoner and balance disbursed to the prisoner in the shape of coupons. Records of eight [15] jails out of ten disclosed that wages of Rs 16.13 lakh as on March 2007 were kept as cash in hand. 268 accounts were opened in post offices by three[16] jails as of March 2007 but total number of accounts to be opened and balance yet to be opened were neither on record nor made available when enquired (March/July 2007).

5.1.7 Monitoring including Internal Audit and Vigilance arrangements

5.1.7.1 Monitoring

The monitoring system was weak, reports and returns were not being sent

The Manual prescribes reports/returns and inspections for monitoring the operation of prisons. Audit observations in this regard are set below:

- Annual administrative reports for the years 2003-07 on administrative matters and statistical details pertaining to prisoners' conduct/ discipline/health/escape etc. were not prepared for submission to the Government as required under para 28 of the Manual.

- The annual reports on quantity and condition of arms and ammunition due to the IGP were not sent as required under para 312 of the Manual. In five [17] jails out of ten test checked, no reports of daily/weekly inspections to be done by the head warder in-charge of the armoury and

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14 **Central Jails:Amritsar, Bathinda, Ferozepur District Jail, Hoshiarpur and Sub-Jails: Moga and Ropar.**

15 **Central Jails Amritsar (Rs 4.31 lakh), Bathinda (Rs 0.15 lakh), Ferozepur (Rs 7.33 lakh), Ludhiana (Rs 2.94 lakh) District Jails Hoshiarpur (Rs 0.53 lakh) and Kapurthala (Rs 0.40 lakh), Sub-Jail: Ropar (Rs 0.08 lakh) and Borstal Jail,Ludhiana (Rs 0.39 lakh).**

16 **Central Jail, Ferozepur (52) and Ludhiana (177) and Borstal Jail, Ludhiana (39)**

17 **Central Jails: Ferozepur, Ludhiana District Jails: Hoshiarpur and Kapurthala and Sub-Jail Moga.**

Superintendent/Deputy Superintendent of the Jail were available as required under para 311 of Manual.

- As per Manual (Para 987), the Superintendents of Jails would annually furnish returns relating to sickness and mortality amongst prisoners, character and qualification of warder establishment, losses in storage of grains etc. to the IGP. For the period under review, these returns were not received by the IGP.

- Para 25 of Manual requires IGP to inspect every jail at least once in a year. In nine [18] out of ten jails test checked, against five visits due for each jail during 2002-07, IGP made only one to four visits during the above period. The notes of results of visit of IGP and items inspected were not recorded as required.

- As per Manual (Para 423 and 424), the Medical Officer (MO) is required to record the state of health of the prisoners on their admission and if sentenced to labour, the class of labour for which he was fit. This was not done for the 8335 undertrials and 707 convicts on their admission in nine jails during 2002-07.

- It was also noticed that in nine jails medical examination of prisoners before their transfer to other jails was not done as required under para 664 of the Manual.

- As per Manual (Para 988), every MO would submit monthly return on 10 of succeeding month and an yearly return on 20th of January of sick prisoners in prescribed form to the IGP. In nine [19] jails out of ten test checked, the MO did not send the prescribed return.

- The Manual (Para 158), provides that on the death of any prisoner, the MO should record stipulated details in a register/Journal. In eight[20] jails out of ten test checked, such details were not recorded in 234 cases where prisoners died during 2002-07.

The prescribed Departmental information and communication channels were not functioning properly and information needed for efficient monitoring was not being made available to authorities for policy formulation and action as needed.

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18 **Central Jails: Amritsar, Bathinda, Ferozepur and Ludhiana; District Jails: Hoshiarpur and Kapurthala; Open Air Jail Kapurthala and Sub-Jails: Moga, and Borstal Jail, Ludhiana.**

19 **Central Jails: Amritsar, Bathinda, Ferozepur and Ludhiana, District Jails: Hoshiarpur, Kapurthala, Sub-Jails: Moga, Ropar, Borstal Jail, Ludhiana.**

20 **Central Jail, Amritsar, Bathinda, Ferozepur and Ludhiana; District Jail Hoshiarpur and Kapurthala, Sub-Jail Moga and Ropar**

5.1.7.2 Internal Audit

Internal Audit was not being done

The State Government established (1982) Internal Audit Organization (IAO) under the control of Finance Department (FD) which was responsible for conducting internal audit. However, on enquiry the Controller Finance and Accounts confirmed (November 2006) that internal audit of Jail Department was not conducted.

5.1.7.3 Vigilance Mechanism

In order to streamline the vigilance machinery in the State, the Government decided (March 2000) to create a Vigilance Wing in each department of the State under the charge of a Chief Vigilance Officer (CVO) under direct control of Secretary Vigilance for scrutinizing cases of corruption and to liaison with Vigilance Department. As per directions (September 2001), the officer against whom any vigilance enquiry/case pending was not to be designated as CVO. Every month CVO was required to submit a report of work done by him to the Secretary Vigilance.

The number of vigilance cases was rising

Scrutiny of records of IGP revealed (May 2007) that the Government, in violation of its own instructions, designated as CVO (November 2006) an officer against whom vigilance enquiry was pending. Further, number of complaint cases rose from six to 30 during 2002-07. No monthly report of work done was sent by the CVO to Secretary Vigilance as required.

5.1.8 Conclusion

Control on budgeting was lacking as savings were not surrendered on time and the prescribed system to ensure inclusion of liabilities in the budget estimates was not followed. Classification committee for new prisoners was not formed. There was wide variation in ratio of security staff to prisoners across prisons. Out of 145 prisoners who escaped from Jails, only five were re-arrested and under-trial prisoners were not produced in courts on due date. The congestion in prisons remained unabated. The monitoring system was weak, reports and returns were not being sent, internal audit was not being done and the number of vigilance cases was rising.

Recommendations

- A liability register should be maintained by each DDO in accordance with provisions of the Punjab Budget Manual;
- The Department should review the ratio of security staff to prisoners and examine the need to set a ratio of warders to prisoners;

- The Department should ensure that the prescribed reports and returns are prepared and furnished timely to authorities for action as needed and
- Internal Audit arrangements should be introduced and Vigilance Cell should be made functional strictly in accordance with instructions issued by the State Government.

The matter was referred to Government (June 2007): reply has not been received (July 2007).

CHANDIGARH
The

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

Countersigned

NEW DELHI
The

(VIJAYENDRA N. KAUL)
Comptroller and Auditor General of India

APPENDICES

Appendix-1.1.A
(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 2006-07.

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 2007.

Statement No.9 shows the revenue and expenditure under different heads for the year 2006-07 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 2006-07.

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 2006-07.

Statement No.15 depicts the capital and other expenditure to the end of 2006-07 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 2007 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
(Reference Paragraph 1.2.1.2 Page 5)

Outcome indicators of the States Own Fiscal Correction Path

(Rupees in crore)

	Base year estimate	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
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
5.Consolidated Revenue Deficit (A. 21+B4)	-3665.38	-3851.95	-1968.18	-1724.47	-547.75	+183.97	+1484.99

C. CONSOLIDATED DEBT							
1. Outstanding debt and liability	36920.52	44981.95	48666.32	52715.60	56378.44	60298.37	63404.47
2. Total Outstanding guarantee (Long term) of which (a) guarantee on accounts off budgeted borrowing and SPV borrowing	6807.43 -	3379.00 (RE) -	3618.38 -	3725.75 -	3911.61 -	4107.19 -	4312.55 -
D. CAPITAL ACCOUNT							
1.Capital Outlay	689.80	761.40	1650.00	2200.00	3000.00	4000.00	4500.00
2.Disbursement of Loans and Advances	720.69	96.80	100.00	100.00	100.00	100.00	100.00
3.Recovery of Loans and Advances	360.20	133.81	200.81	147.19	161.91	178.10	195.91
4.Other Capital Receipts	3108.30	3150.07	3882.49	3472.88	3646.52	3828.84	4020.28
E. GROSS FISCAL DEFICIT (GFD)	-4749.65	-4114.94	-3684.37	-4049.28	-3662.84	-3919.93	-3106.10
F. PRIMARY SURPLUS (+) DEFICIT (-)	-1308.23	-133.44	+388.89	+186.92	+742.81	+661.92	+1659.05
Assumed Growth Rate GSDP (Actual/Assumed Nominal) Growth Rate (%)	81147	88352	98071	108859	120834	134126	148880
G. GFD as percentage of GSDP	5.85	4.66	3.76	3.72	3.03	2.92	2.09

Appendix-1.3

(Refer paragraph 1.2- and 1.6 - page - 4 and - 21)

Summarized financial position of the Government of Punjab as on 31 March 2007

(Rupees in crore)

As on 31st March 2006		Liabilities	As on 31st March 2007		As on 31st March 2006		Assets	As on 31st March 2007	
1	2	3	4	5	6	7	8	9	10
34041.35		**Internal Debt (excluding overdrafts from Reserve Bank of India)**		**37153.66**	**14903.24**		**Gross Capital Outlay**		**17489.42**
	8696.72	Market Loans bearing interest	9434.58			3718.60	Investments in shares of Companies, Corporations etc.	3761.74	
	0.31	Market Loans not bearing interest	0.27			11184.64	Other Capital Expenditure	13727.68	
	6.27	Loans from Life Insurance Corporation of India	5.28		**5463.99**		**Loans and Advances**		**5532.95**
	1.64	Loans from Life Insurance Corporation of India	1.35			4141.97	Loans for Energy	4135.53	
	879.12	Loans from the National Bank for Agriculture and Rural Development	1018.20			1014.26	Other Development Loans	1143.62	
	637.35	Compensation and Other Bonds	573.61			307.76	Loans to government Servants and Miscellaneous Loans	253.80	
	4703.80	Loans from State Bank of India & Other Banks	4255.14		**69.48**		**Suspense and Miscellaneous Balances**		**29.26**
	0.10	Loans from the National Co-operative Development Corporation	0.07		**0.64**		**Advances**		**0.65**
	718.66	Loans from other Institutions	666.09		**1767.65**		**Cash**		**825.87**
	-	Ways & Means Advances from the Reserve Bank of India	-		-		Cash in Treasuries and Local Remittances		-
	18397.38	Special Securities issued to National Small Savings Funds of the Central Government	21199.07			(-)127.82	Deposits with Reserve Bank of India	21.50	-
7220.84		**Loans and Advances from Central Government -**		**3212.96**		121.83	Departmental Cash Balance including Permanent Advances	125.78	
	13.02	Pre 1984-85 Loans	0.33			0.19	Permanent Cash Imprest	0.19	
	706.45	Non-Plan Loans	75.35			144.51	Investment of Earmarked Funds	119.51	
	6431.34	Loans for State Plan Schemes	3071.32			1628.94	Cash balance investments	558.89	
					29419.46		**Deficit on Government Accounts**		

	70.03	Loans for Centrally Sponsored Plan Schemes	65.96			1240.25	Revenue Deficit of the Current year		(-)2023.36
							Other adjustments		0.21
	-	Ways and means advances	-			**28179.21**	**Accumulated deficit upto 31 March**	**29419.46**	
25.00		**Contingency Fund**		**25.00**			Proforma correction		(-) 20.25
7575.43		**Small Savings, Provident Funds, etc.**		**7977.45**					
1374.60		**Deposits**		**1272.26**					
-		**Overdrafts from the Reserve Bank of India**		-					
1296.78		**Reserve Funds**		**1537.71**					
-		**Deposits with the Reserve Bank of India**		-					
90.46		**Remittances Balances**		**75.17**					
51624.46				**51254.21**	**51624.46**				**51254.21**

Appendix-1.4
(Refer to paragraph 1.2 page 4)

Abstract of receipts and disbursements for the year 2006-2007

(Rupees in crore)

2005-06		**Receipts**		**2006-07**	**2005-06**	**Disburse ments**				**2006-07**
							Non Plan	**Plan**	**Total**	
1	2	3	4	5	6	7	8	9	10	11
		Section-A: Revenue								
16966.48		**1Revenue receipts**		**20567.14**	**18206.73**	**1 Revenue expenditure-**	17563.23	980.55		**18543.78**
	8989.28	(i)-Tax revenue	9017.16		**10516.25**	**General services**	10335.03	3.61	**10338.64**	
	4536.33	(ii)-Non-tax revenue	7744.58		3602.40	**Social Services-**	3868.70	235.02	4103.72	
	1227.55	(iii) State's share of Union Taxes and Duties	1565.75		2289.09	-Education, Sports, Art and Culture	2223.85	94.41	2318.26	
	1703.42	(iv)Non-Plan Grants	1487.85		695.86	-Health and Family Welfare	637.87	51.15	689.02	
	310.22	(v) Grants for State Plan Schemes	397.36		207.26	-Water Supply, Sanitation Housing and Urban Development,	346.19	0.13	346.32	
	5.45	(vi) Grants for Central Plan Schemes	20.78		15.60	-Information and Broadcasting	12.23	6.04	18.27	
	194.23	(vii) Grants for Centrally Sponsored Schemes	333.66		82.94	-Welfare of Scheduled Castes, Scheduled tribes and Other Backward Classes	63.45	15.89	79.34	
					58.45	-Labour and Labour Welfare	62.15	0.05	62.20	
					244.83	-Social Welfare and Nutrition	512.84	67.34	580.18	
					8.37	-Others	10.12	0.01	10.13	
					3714.06	**Economic Services-**	3064.45	708.42	3772.87	
					487.32	-Agriculture and Allied Activities	404.39	69.33	473.72	
					47.56	-Rural Development	61.91	4.32	66.23	
					594.16	-Irrigation and Flood Control	519.43	-	519.43	
					1551.31	-Energy	1427.47	-	1427.47	
					71.09	-Industry and Minerals	32.39	105.75	138.14	
					350.78	-Transport	551.60	-	551.60	
					2.74	-Science, Technology and Environment	0.86	0.05	0.91	
					609.10	-General Economic Services	66.40	528.97	595.37	
					374.02	**Grants-in-aid and Contributions**	295.05	33.50	328.55	
1240.25		**II. Revenue deficit carried over to Section B**				**Revenue Surplus carried over to Section-B**				**2023.36**
18206.73		**Total Section A**		**20567.14**	**18206.73**					**20567.14**

2005-06		Receipts		2006-07	2005-06	Disbursements				2006-07
							Non Plan	Plan	Total	
460.93		**III-Opening Cash balance including Permanent Advances and Cash Balance Investment Account etc.**		1767.65	**1516.89**	**II-Capital Outlay-**	226.10	2360.08		**2586.18**
					90.20	**General Services-**	58.74	35.08	**93.82**	
					343.99	**Social Services-**	13.51	357.01	**370.52**	
					18.67	-Education, Sports, Art and Culture	0.05	17.66	17.71	
					2.96	-Health and Family Welfare	1.95	7.69	9.64	
					317.14	-Water Supply, Sanitation Housing and Urban Development	10.75	326.51	337.26	
						Information and Broadcasting	0.04	-	0.04	
					-	-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes,	-	3.96	3.96	
					5.22	-Social Welfare and Nutrition	0.72		0.72	
						-Others	-	1.19	1.19	
		Section-B			**1082.70**	**Economic Services-**	153.84	1968.00	2121.84	
					10.47	-Agriculture and Allied Activities	25.42	9.64	35.06	
					44.96	Rural Development	25.22	106.76	131.98	
					304.22	-Irrigation and Flood Control	86.36	272.11	358.47	
					45.28	Energy	-	20.00	20.00	
					5.82	Industry and Minerals	0.16	-	0.16	
					374.45	Transport	15.78	400.38	416.16	
					9.01	Science Technology and Environment	-	7.31	7.31	
					288.29	General Economic Services	0.90	1151.80	1152.70	
136.70		**IV Recoveries of Loans and Advances**		395.45	33.48	**III-Loans and Advances Disbursed**				444.16
	2.71	-From Power Projects	306.44		-	For Power Projects			300.00	
	78.10	-From Government Servants	73.74		13.51	To Government Servants			17.05	
	55.89	-From others	15.27		19.97	To Others	-		127.11	
		Revenue surplus brought down		**2023.36**	**1240.25**	**IV-Revenue Deficit Brought down**	-	-	-	
4577.93		**Public debt receipts-**		**4274.99**	1111.35	**V-Repayment of Public Debt**	-			5170.55
	4529.80	-Internal debt other than ways	4254.20		**1461.93**	Internal debt other than ways			**1141.88**	

2005-06		Receipts		2006-07	2005-06	Disbursements				2006-07
							Non Plan	Plan	Total	
		and means Advances and Overdraft				and means Advances and Overdraft				
	24.13	-Net transactions under Ways and Means Advances including overdraft			(-) 552.47	-Net transactions under Ways and Means Advances including overdraft		-	-	
	24.00	-Loans and Advances from Central Government	20.79		201.89	Repayment of Loans and Advances to Central Government			**4028.67**	
15648.34		**V Public Account Receipts**		18356.90	15154.28	**VI-Public Account Disbursement**				17791.59
	1482.94	-Small Savings and Provident funds	1511.74		1093.84	-Small Savings and Provident funds		-	**1109.72**	
	218.67	-Reserve funds	319.31		27.91	-Reserve funds			**78.39**	
	1462.35	-Deposits and Advances	2085.92		1547.03	-Deposits and Advances			**2188.27**	
	11461.36	-Suspense and Miscellaneous	13172.89		11451.59	-Suspense and Miscellaneous			**13132.88**	
	1023.02	-Remittance	1267.04		1033.91	-Remittance			**1282.33**	
					1767.65	**VII Cash Balance at end**				**825.87**
					266.53	**Other Cash Balances and Investments**			**245.49**	
					(-) 127.82	Deposits with Reserve Bank			**21.50**	
					1628.94	Cash Balance Investment			**558.88**	
20823.90		**Total Section-B**			20823.90					
				26818.35		**Total**				**26818.35**

Appendix-1.5
(Refer to paragraph 1.2 page 4)

Sources and application of funds

(Rupees in crore)

2005-2006			**Sources**	**2006-2007**	
16966.48		**1.**	**Revenue receipts**		**20567.14**
136.70		**2.**	**Recoveries of Loans and Advances**		**395.45**
3466.57		**3.**	**Increase in Public debt other than overdraft**		**(-) 895.56**
494.07		**4.**	**Net receipts from Public account**		**565.31**
	389.10		Increase in Small Savings	402.02	
	(-) 84.68		Increase in Deposits and Advances	(-) 102.35	
	190.77		Increase in Reserve funds	240.92	
	9.77		Net effect of suspense and Miscellaneous transactions	40..01	
	(-) 10.89		Net effect of Remittance transactions	(-) 15.29	
	-		Decrease in closing cash balance		**941.78**
21063.82			Total		21574.12
2005-06			**Application**	**2006-07**	
18206.73		**1.**	**Revenue expenditure**		**18543.78**
33.48		**2.**	**Lending for development and other purposes**		**444.16**
1516.89		**3.**	**Capital expenditure**		**2586.18**
-		**4.**	**Decrease in overdraft**	-	
1306.72		**5.**	**Increase in closing cash balance**	-	
21063.82			**Total**		**21574.12**

Appendix-1.6
(Refer to Paragraph 1.2 Page 4)

Time Series Data on State Government Finances

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Part A. Receipts						
1. Revenue Receipts	**8929**	**11071**	**12139**	**13807**	**16966**	**20567**
(i)Tax Revenue	4820(54)	5711(52)	6146(51)	6944(50)	8989(53)	9017(44)
Taxes on Agricultural Income	-	-	-	-	-	-
Taxes on Sales, Trades etc.	2684(56)	3072(54)	3308(54)	3816(55)	4627(51)	4829(54)
State Excise	1350(28)	1429(25)	1463(24)	1487(21)	1568(17)	1368(15)
Taxes on vehicles	318(7)	444(8)	389(6)	404(6)	431(5)	468(5)
Stamps and Registration fees	444(9)	559(10)	729(12)	966(14)	1671(19)	1804(20)
Taxes and Duties on Electricity	-	188(3)	235(4)	252(4)	669(7)	528(6)
Land Revenue	9	9	13	14	16	15
Other Taxes and Duties on Commodities and Services	15	10(0.18)	9(0.14)	6(0.08)	7(0.08)	5(0.06)
(ii) Non-Tax Revenue	2960(33)	4036(36)	4666(38)	5358(39)	4536(27)	7745(38)
(iii) State's share of Union taxes and duties	611(7)	649(6)	754(6)	903(7)	1228(8)	1566(7)
(iv) Grants in aid from GOI	538(6)	675(6)	573(5)	602(4)	2213(13)	2240(11)
2. Misc Capital Receipts	-	-	-	-	-	-
3. Total revenue and Non-debt capital receipts (1+2)	**8929**	**11071**	**12139**	**13807**	**16966**	**20567**
4. Recoveries of Loans and Advances	**872**	**103**	**105**	**134**	**137**	**395**
5. Public Debt Receipts	**6681**	**6246**	**7337**	**6361**	**4578**	**4275**
Internal Debt (excluding Ways & Means Advances and Overdrafts.)	5719	5827	6526	5791	4837	4254
Net transactions under Ways and Means advances and Overdraft	126	-	269	22	-283	-
Loans and Advances from Government of India*	836	419	542	548	24	21
6. Total receipts in the Consolidated Fund (3+4+5)	**16482**	**17420**	**19581**	**20302**	**21681**	**25237**
7. Contingency Fund Receipts	**3**	-	-	-	-	-
8. Public Account Receipts	**14171**	**11972**	**10111**	**12846**	**15648**	**18357**
9. Total receipts of the State (6+7+8)	**30656**	**29392**	**29692**	**33148**	**37329**	**43594**
Part B. Expenditure/Disbursement						
10. Revenue Expenditure	**12710(86)**	**14825(95)**	**15702(92)**	**17198(95)**	**18207(92)**	**18544(86)**
Plan	865(7)	708(5)	615(4)	466(3)	961(5)	981(5)
Non-Plan	11845(93)	14117(95)	15087(96)	16732(93)	17246(95)	17563(95)
General Services	4389(35)	5638(38)	5639(36)	5869(32)	6801(37)	6187(33)
Interests	3178(25)	3434(23)	3712(24)	3981(22)	3715(21)	4152(23)
Social Services	3111(24)	3222(22)	3368(21)	3536(20)	3602(20)	4104(22)
Economic Services	1866(15)	2310(16)	2939(19)	3738(21)	3714(19)	3773(20)
Grants in aid and Contributions	166(1)	221(1)	44	74	374(2)	328(2)
11. Capital Expenditure	**984(7)**	**420(3)**	**665(4)**	**761(4)**	**1517(8)**	**2586(12)**
Plan	952(97)	897(214)	623(94)	650(85)	1313(13)	2360(91)
Non-Plan	32(3)	-477(-114)	42(6)	111(15)	204(87)	226(9)
General Services	22(2)	21(5)	18(3)	51(7)	90(6)	94(4)
Social Services	54(6)	22(5)	5	92(12)	344(23)	370(14)
Economic Services	908(92)	377(90)	642(97)	618(81)	1083(71)	2122(82)
12. Disbursement of Loans and Advances	**1066(7)**	**339(2)**	**757(4)**	**97(0.5)**	**33(10.55)**	**444(2)**
13. Total (10+11+12)	**14760**	**15584**	**17124**	**18056**	**19757**	**21574**
14. Repayments of Public Debt	**2556**	**2445**	**3089**	**2817**	**1111**	**5171**

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

Internal Debt (excluding Ways and Means Advances and Overdraft.)	**1766**	**663**	**193**	**448**	**909**	**1142**
Net transactions under Ways and Means advances and Overdraft	**-**	**352**	**-**	**-**	**-**	**-**
Loans and Advances from Government of India*	**790**	**1430**	**2896**	**2369**	**202**	**4029**
15. Appropriation to Contingency Fund	**-**	**-**	**-**	**-**	**-**	**-**
16. Total disbursement out of Consolidated Fund (13+14+15)	**17316**	**18029**	**20213**	**20873**	**20868**	**26745**
17. Contingency Fund disbursements	**-**	**-**	**-**	**-**	**-**	**-**
18. Public Account disbursements	**13428**	**11395**	**9347**	**11794**	**15154**	**17791**
19. Total disbursements by the State (16+17+18)	**30744**	**29424**	**29560**	**32667**	**36022**	**44536**
Part C. Deficits						
20. Revenue Deficit (1-10)	**(-)3781**	**(-)3754**	**(-)3563**	**(-)3391**	**(-)1241**	**(+)2023**
21. Fiscal Deficit (3+4-13)	**(-)4959**	**(-)4410**	**(-)4880**	**(-)4115**	**(-)2654**	**(-)612**
22. Primary Deficit (21-23)	**(-)1781**	**(-)976**	**(-)1168**	**(-)134**	**(+)1061**	**(+)3540**
Part D Other data						
23. Interest Payments (included in revenue State.)	**3178**	**3434**	**3712**	**3981**	**3715**	**4152**
24.Balance from Current Revenue (BCR)	(-)3295	(-)3415	(-) 3387	(-) 3341	-790	2252
25. Arrears of Revenue (Percentage of Tax & non-Tax Revenue Receipts)	3760(48)	3005(31)	2805(26)	965(8)	2728(20)	1917(11)
26. Financial Assistance to local bodies etc.	370	363	216	352	395	594
27. Ways and Means Advances/Overdraft availed (days)	140/119	190/53	159/134	156/117	22	--
28. Interest on WMA/Overdraft	9/4	9/1	12/2	10/2	-	-
29.Gross State Domestic Product (GSDP)	79690	82648	89838	96592	104705	114237
30. Outstanding Debt (year end)	33921	38315	43197	47403	51364	51035
31. Outstanding guarantees (year end)	10584	13734	12242	8884	8851	13919
32. Maximum amount guaranteed (year end)	10244	17720	22951	23420	22086	25697
33. Number of incomplete projects	11	7	8	10	11	11
34. Capital blocked in incomplete projects	1177	859	795	882	776	1350

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

Appendix –1.7
(Refer Paragraph 1.5.5 page 21)

Details of department-wise break up of outstanding Utilisation Certificates

(Rupees in crore)

Sr.No.	Department	Number of UCs Outstanding	Amount	Earliest year of Pendency
1.	Rural Police	1	0.06	2006-07
2.	Rural Employment	8	0.54	2000-01
3.	Urban Development Department of Power	1	20.00	2006-07
4.	Special Secretary Planning Punjab, Chandigarh	23	7.18	2006-07
5.	Agriculture Research Education	70 36 22 12	13.36 104.55 86.41 78.34	2000-01 2004-05 2005-06 2006-07
6.	Animal Husbandry	197 1 12	3.24 0.35 10.00	2000-01 2002-03 2006-07
7.	Tourism General Education	134	185.85	2006-07
8.	Industries S.S & Welfare	24 6	25.49 24.41	2005-06 2006-07
9.	Urban Development	9 16	51.04 13.86	2004-05 2006-07
10	Joint Secretary Rural Development and Panchyat Punjab Chandigarh	1	0.77	2006-07
11	Director Rural Development of Panchyats Punjab Chandigarh	1 1 25	0.01 3.07 3.19	2000-01 2002-03 2006-07
12	Director Family Welfare	2	0. 38	2005-06
13.	Director Rural Development of Panchyats Punjab Chandigarh	2	89.38	2006-07
	Total	**604**	**721.48**	

Appendix-1.8
(Refer Paragraph 1.5.6 Page 21)

Statement showing names of Bodies and Authorities whose accounts have not been received

(Rupees in lakh)

Sr. No.	Name of the Body/Authority	Year for which Accounts have not been received	Grants released	Purpose	Total Expenditure
1	D.R. D.A (16)	2006-07	1824.51	NA	1482.12
2.	Universities (3)	2006-07	19375.05	NA	20006.88
3.	Schools Colleges and Education Institutions (86)	2006-07	6421.68	NA	6808.97
4.	Misc.(9)	2006-07	2737.88	NA	3057.55

Appendix-1.9
(Refer Paragraph 1.5.7 Page 21)

Details with Status of Accounts Submitted by Autonomous Bodies

Sr No.	Name of the Body	Year/ Period of entrust-ment 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	2005-06	2004-05	2003-04	-
2.	Punjab State Human Rights Commission	-	1999-2000	1998-99	1997-98	First Audit	SAR under issue
3.	Pushpa Gujral Science City Society	1999-2000	2006-07	2005-06	2003-04	2003-04	Submitted to CAG for approval
4.	North Zone Cultural Centre	2005-06 to 2009-10	2006-07	2005-06	2005-06	2003-04	Under process
5.	Sant Longowal Institute of Engineering and Technology	2005-06 to 2009-10	2006-07	2005-06	2005-06	2004-05	Draft SAR for 2005-06 sent to CAG for approval
6.	Dr. B.R. Ambedkar Institute of Engineering and Technology	2001-02 to 2005-06	2005-06	2004-05	2004-05	2004-05	Approved account not received
7.	National Institute of Pharmaceutical Education and Research	2005-06 to 2009-10	-	2005-06 2006-07	2005-06	2004-05	Under process

Appendix-1.10
(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	1989-90	3924	1	Fire Arms
2.	-do-	2001-02	12557	1	Tack Phone set
3.	--do--	2002-03	2900	1	Animal
4.	--do-	2003-04	339882	4	HBA and animal
5.	--do-	2004-05	23733	2	Interest of scooter advance
6.	--do-	2005-06	367950	13	Animal, tent
7.	--do-	2006-07	66600	4	Animal
8.	Home Affairs and Justice	2001-02	492107	4	HBA
9.	--do-	2002-03	881398	10	HBA and scooter advance
10	--do-	2003-04	927927	9	HBA
11.	--do-	2004-05	1633612	14	HBA
12.	--do-	2005-06	1664327	11	HBA
13.	Local Govt.	2001-02	42537	2	HBA
14.	General Admn	2004-05	519972	2	HBA
15.	--do-	2005-06	90763	2	HBA
16.	Civil Supplies	2005-06	734	1	Irrecoverable amount due to death
17.	Lotteries	2006-07	1470	1	Theft of Cycle
18.	Financial Commissioner Development	2006-07	56600	1	HBA
19.	Health and family Welfare	2005-06	252868	1	HBA
20.	Finance Department	2005-06	256985	2	Motor Advance
21.	Education	2004-05	421350	1	HBA
22.	Agriculture	2006-07	81594	1	HBA
23	Hospitality	2006-07	5753	1	HBA
	Total		8147543	89	

Appendix-1.11
(Refer Paragraph 1.6.1.3 Page 22)

Department wise position of arrears in preparation of Proforma Accounts and the investments made by Government

Department	No. of under takings/Schemes under the department	Accounts not finalized (Name of undertakings/ Schemes)	Year upto which accounts finalized	Investment as per last accounts (Rs. in crore)
Transport	1	Punjab Roadways	1997-98	42.28

Appendix – 2.12
(Refers to Paragraph 2.3.1, Page 38)

Statement showing major savings

Grant No.	Head of account	Savings (*Rupees in crore*)
1	**Agriculture and Forests (Revenue Voted)**	
	2401-Crop Husbandry, Direction and Administration, Direction	7.94
5	**Education (Revenue Voted)**	
	2202-General Education ,Secondary education, Teachers training, Government Junior Basic Teachers Training (CSS)	73.55
	Elementary Education – Government Primary Schools – Government Primary Schools	56.11
	Elementary Education – Government Primary Schools, Mid day meal scheme (including ACA of 20 Crores) (Plan)	27.00
	Elementary Education – Government Primary Schools, Sarv Shiksha Abhiyan (Plan)	17.28
	Secondary Education – Government Secondary Schools – Upgradation of Government Middle Schools to High Standard (Plan)	14.93
	Elementary Education, Other Expenditure, Sarv Shiksha Abhiyan (CSS)	130.65
	Secondary Education, Government Secondary Schools, Upgradation of Government Primary schools to middle standard (Salary Component) (Plan)	9.90
	University and Higher Education , Assistance to Non-Government Colleges and Institutes, Assistance to Non-Government Colleges and Institutes,	26.29
	Secondary Education – Government Secondary Schools, information and communication Technology (ICT) Project (Plan)	65.45
	Elementary education, other expenditure, information and communication Technology (ICT) Schools-CSS	8.91
	2204-Sports and Youth Services, Sports and games, Establishment of Punjab State Sports Council (CSS)	6.00
5	**Education (Capital Voted)**	
	4202 – Capital Outlay on Education, Sports, Art and Culture – General Education – Secondary Education – Sarv Siksha Abhiyan (CSS)	64.35
	General Education, Elementary Education, Sarv Shiksha Abhiyan (Plan)	21.45
	General Education, Secondary Education, Teacher Education Establishment of DIETs (CSS)	10.23
8.	**Finance (Revenue Voted)**	
	2075-Miscellaneous General Services, State Lotteries, Prizes	1868.72
	2071-Pension and other Retirement benefits, Civil, Commuted value of pension, Civil, Commuted value of pension,	21.12

Grant No.	Head of account	Savings (Rupees in crore)
8	**Finance (Revenue Charged)**	
	2049-Interest payments, Interest on Loans and Advances from Central Government, Interest on Loans for Non-Plan schemes, Share of small Saving Collections	27.06
	Interest on Small Savings, Provident Funds etc. – Interest on State Provident Fund – Interest on General Provident Fund	65.70
	Interest on Loans and Advances from Central Government – Interest on Loans for State/UT Plan Schemes – Interest on Block Loans	301.53
	Interest on Internal Debt – Interest on Special Securities issues to National Small Savings Fund of Central Government by State Government – 8.50% Tax Free Bonds (Power Bonds)Interest	24.38
	Interest on Small Savings, Provident Funds etc., Interest on Insurance and Pension Fund, Interest on Punjab Government Employees Group Insurance Scheme	21.21
8	**Finance (Capital Charged)**	
	6003 – Internal Debt of the State Government , Special Securities issued to National Small Savings Fund of the Central Government Special Securities issued to National Small Savings Fund of the Central Government	13.86
	6003 – Internal Debt of the State Government, Compensation and other Bonds, Compensation and other Bonds,	31.87
	6003 – Internal Debt of the State Government, Loans from other Institutions, Loans from Housing Development Financial Corporation and Housing Urban Development Corporation	156.88
11	**Health and Family Welfare(Revenue Voted)**	
	2210-Medical and Public Health, Urban Health Services-Allopathy, Hospital and Dispensaries – Medical relief to other Hospitals and Dispensaries	11.17
	Rural Health Services, Allopathy, Subsidiary Health Centres, Subsidiary Health Centres	23.16
	Public Health, Prevention and Control of diseases, National Malaria Eradication Programme (Rural)	7.99
12	**Home Affairs and Justice(Capital-Voted)**	
	4055-Capital outlay on Police, Other Expenditure, Modernisation of Police Force	16.71
	Direction and Administration	11.17
	Modernisation of Prisons (CSS)	11.17
15	**Irrigation and Power (Revenue Voted)**	
	2701- Medium Irrigation, General , Direction and Administration, Direction	17.04
	2700-Major Irrigation, Sirhind Canal System Commercial, Direction and Administration, Direction	98.75
	Ranjit Sagar Dam, Direction and Administration Commercial, Direction	31.67
	Satluj Yamuna Link (SYL) Commercial, Direction and Administration, Direction	7.37

Grant No.	Head of account	Savings (Rupees in crore)
	2801-Power, General, Other expenditure, Subsidy under Rural Electrification of Punjab Electricity Board)	591.39
	Irrigation and Power (Capital Voted)	
	4700-Capital Outlay on Major Irrigation, Satluj Yamuna Link (SYL) Commercial, Other Expenditure, Works Expenditure	28.38
	4701-Capital Outlay on Medium Irrigation, Lining of Channel Mamdoot Distributory System (NABARD) Commercial, Other Expenditure, Works Expenditure (Plan)	19.69
	4701-Capital Outlay on Medium Irrigation, Remodelling/Construction of Distributories/Minors-Commercial, Other Expenditure, Works Expenditure (Plan)	13.00
	Raising capacity of Mari Brand Canal from RD 18300 to 23900R Commercial, Other Expenditure, Works Expenditure (Plan)	18.92
	4711 – Capital Outlay on Flood Control Projects, Flood Control, Direction and Administration, Direction and Administration)	7.55
	Works Expenditure – (I) Counter Protective Works (CSS)	8.38
	Civil Works, Construction of Flood Protection and Drainage Works, Works Expenditure (CSS)	10.00
	Flood Protection Work on River Ghaggar (Plan)	7.00
17	**Local Government, Housing and Urban Development (Capital 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 (Plan)	16.50
	Grant-in-Aid to Municipal Committees/Corporations/Notified Area Committees in liew of abolition of octroi in the State	10.52
	4217-Capital Outlay on Urban Development, State Capital Development, Other Expenditure, Galiara Project for Development of Golden Temple, Amritsar	17.90
	Other Urban Development Schemes, Other Expenditure, Shri Guru Ramdas Development Project, Amritsar (JBIC) CSS	64.00
	Jawahar Lal Nehru National Urban Renewal Mission, Sub Mission on Urban Infrastracture and governance (CSS)	40.50
	Jawahar Lal Nehru National Urban Renewal Mission, Sub Mission on Urban Infrastracture and governance (Plan)	40.50
	Integrated Development of Urban Infrastructure in Bhatinda City (Plan)	20.00
	Other Urban Development Schemes, Other Expenditure, Shri Guru Ramdas Development Project, Amritsar (JBIC) Plan	8.00
	Prevention of Pollution of River Sutlej – Cost of Land (CSS)	50.00
	6216 – Loans for Housing – Urban Housing – Loans to Housing Boards – Loans to PUDA for NCR to Patiala City (CSS)	35.05
19	**Planning (Revenue-Voted)**	
	3451-Secretariat Economic Services, Planning Commission-Planning Board, Formulation of District Plan at the District Headquarters (Plan)	60.71

Grant No.	Head of account	Savings (Rupees in crore)
19	**Planning (Capital-Voted)**	
	5475-Capital Outlay on other General Economic Services, Statistics, State Level Initiative (Punjab Nirman Programme) (Plan)	74.95
21	**Public Works (Revenue Voted)**	
	2215 – Water Supply and Sanitation – Water Supply – Direction and Administration – Direction and Administration	57.48
	2059 – Public Works – Other Buildings – Maintenance and Repairs – Industrial Training	58.46
	General, Direction and Administration, Direction	7.13
21	**Public Works (Capital Voted)**	
	4215 – Capital Outlay on Water Supply and Sanitation – Water Supply – Rural Water Supply – Accelerated Rural Water Supply Programme (CSS)	63.05
	Rajive Gandhi Drinking Rural Water Supply Scheme (Plan)	19.99
	Integrated Rural Water Supply and Environmental Sanitation Project with World Bank Assistance (Plan)	17.46
	Rajiv Gandhi National Drinking Mission including Repair of Damaged Water Supply Scheme (CSS)	11.24
	Swajaldhara Rural Water Supply Programme (CSS)	9.85
	Water Supply, Rural Water Supply, Setting up of new Water Testing Labortaries (CSS)	10.00
	Rural Sanitation Programme (CSS)	10.00
	5054 – Capital Outlay on Roads and Bridges – State Highways – Bridges, World Bank Scheme for Road infrastructure (Plan)	100.00
	Other expenditure, Prime Minister Gramin Sadak Yojna (PMGSY) CSS	30.00
	4059 – Capital Outlay on Public Works – General – Construction – Computerisation of Land Record (CSS)	21.13
	Setting up of State Judicial Academy at Chandigarh (Plan)	10.00
	Courts (CSS)	9.42
	4210-Capital Outlay on Medical and Public Health, Urban Health Services, Hospitals and Dispensaries, Expansion and Improvement of Guru Gobind Singh Medical and Nursing College at Faridkot (Plan)	7.00
	Medical Education, Training and Research, Allopathy, Expansion and Improvement of Medical College, Amritsar (Plan)	7.00
22	**Revenue and Rehibilitation (Revenue Voted)**	
	2245 – Relief on account of Natural Calamities – Calamity Relief Fund – Transfer to Reserve Funds and Deposit Accounts-Calamity Relief Fund – Transfer to Reserve Funds and Deposit Accounts – Calamity Relief Fund	76.67
	Floods, Cyclones etc, Gratuitous Relief, Gratuitous Relief	8.04
	2235-Social Security and Welfare, Other Social Security and Welfare Programmes, Other Programmes, Relief to persons affected by riots	14.43
	2053-District Administration, Other Expenditure, Honorarium to Lambardars	8.05

Grant No.	Head of account	Savings *(Rupees in crore)*
	District Establishments, District Establishments	11.23
23	**Rural Development and Panchayats (Revenue-Voted)**	
	3604-Compensation and Assignments to Local Bodies and Panchayati Raj Institutions, Other Miscellaneous compensations and Assignments, Grant on the recommendation of 3rd State Finance Commission to Panchayati Raj Institutions	107.00
	Incentive Fund to Panchayati Raj Institutions as per recommendation of 2nd Punjab Finance Commission	20.00
	Grant-in-Aidfor Service Providers to Veterinary Hospital/Rural Dispensary	8.50
	2515-Other Rural Development Programmes, Other Expenditure, Sampuran Gramin Rozgar Yojna (CSS)	48.92
	National Rural Employment Gurantee Scheme (CSS)	33.75
23	**Rural Development and Panchayats (Capital Voted)**	
	4515 – Capital Outlay on Other Rural Development Programme – Other Expenditure, National Rural Employment Guarantee Scheme (CSS)	11.25
	Special Component Plan for Scheduled Casts, Environmental improvement of SC Basties/Villages with stress on Sanitation (ACA) (Plan)	10.00
	Other Expenditure, Contribution to Village Development Fund out of grant recommended by State Finance Commission (Plan)	10.00
	Sampuran Gramin Rozgar Yojana (CSS)	48.92
	Swaranjayanti Swairojgar Yojana (CSS)	9.20
	Indira Awas Yojana (CSS)	25.00
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)	13.50
	Total	**5365.18**

Appendix–2.13
(Refers to Paragraph 2.3.2, Page 38)

Statement of various grants/appropriations indicating major head-wise/scheme- wise expenditure where 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								
			2004-05			2005-06			2006-07		
		Name of Grant	Provision	Expen-diture	Saving (Percentage of saving)	Provis-ion	Expen-diture	Saving (Percentage of saving)	Provis-ion	Expendi ture	Saving (Percentage of saving)
		Revenue (Voted)									
1.	**21-Public Works**	2215-Water Supply and Sanitation – Water Supply – Direction and Administration – Direction and Administration	147.77	79.28	68.49(46.35)	162.49	87.23	75.26(46.32)	171.93	114.45	57.48(33.43)
		Capital (Voted)									
2.	**3-Co-operation**	4425-Capital Outlay on Co-operation – Investment in Credit Co-operatives – Assistance as share capital and loan for integrated Co-operative Development Project (including preparation of project report) (CSS)	11.41	0	11.41 (100)	11.41	0	11.41(100)	11.41	0	11.41(100)
3.	**12-Home Affairs and Justice**	4055 – Capital Outlay on Police – Other expenditure – Modernisation of Police Force	25.68	0.99	24.69(96.14)	82.16	42.90	39.26(47.78)	45.72	29.01	16.71(36.55)
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	0	10.00(100)

5.		Works expenditure (I) Counter Protective Works (CSS)	10.00	0	10.00 (100)	10.00	0	10.00 (100)	10.00	1.62	8.38(83.80)
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)	70.00	0	70.00 (100)	50.00	0	50.00(100)
7.	**23-Rural Development and Panchayats**	4515-Capital Outlay on Other Rural Development Programmes – Rural Development – Indira Awas Yojana (CSS)	13.20	0	13.20 (100)	13.20	0	13.20 (100)	25.00	0	25.00(100)
8.	**-do-**	4515-Capital Outlay on Other Rural Development Programmes – Rural Development –Sampuran Gramin Rozgar Yojana (CSS)	28.50	0	28.50 (100)	51.00	0	51.00(100)	48.92	0	48.92(100)
9.	**21-Public Works**	4215-Capital outlay on Water Supply and Sanitation, Water Supply, Rural Water Supply, Accelerated Rural Water Supply Programme (CSS)	50.00	0	50.00(100)	80.00	21.67	58.33(72.92)	80.00	16.95	63.05(78.81)
		TOTAL	**366.56**	**80.27**	**286.29**	**490.26**	**151.80**	**338.46**	**452.98**	**162.03**	**290.95**

Appendix–2.14
(Refers to Paragraph 2.3.4, Page 39)

Cases of unnecessary supplementary grants/appropriations

(Rupees in crore)

Sr. No.	Grant/appropriation	*Amount of grant/appropriation*			
		Original	**Supplementary**	**Actual expenditure**	**Saving**
Revenue-(Voted)					
1.	03-Co-Operation	59.61	16.08	46.40	29.29
2.	04-Defence Services Welfare	31.18	3.40	29.30	5.28
3.	06-Election	38.63	0.20	28.32	10.51
4.	07-Excise and Taxation	61.14	7.24	54.02	14.36
5.	08-Finance	5705.69	93.18	4043.91	1754.96
6.	09-Food and Supplies	52.41	5.32	51.62	6.11
7.	10-General Administration	95.76	8.98	85.41	19.33
8.	15-Irrigation and Power	2293.11	330.23	1977.56	645.78
9.	16-Labour and Employment	18.75	0.90	18.57	1.08
10.	26-State Legislature	14.55	1.77	13.90	2.42
11.	30-Vigilance	12.62	0.19	12.02	0.79
Revenue (Charged)					
12.	13-Industries	0	5.23	0	5.23
13.	08-Finance	4177.49	111.00	4151.80	136.69
Capital (Voted)					
14.	04-Defence Services Welfare	0.50	2.20	0	2.70
15.	12-Home Affairs and Justice	138.36	9.91	57.69	90.58
16.	13-Industries	0.24	0.04	0.17	0.11
17.	17-Local Government, Housing and Urban Development	294.59	194.10	210.29	278.40
18.	23-Rural Development and Panchayats	183.11	71.61	131.99	122.73
19.	25-Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes	5.06	0.10	4.68	0.48
20.	28-Tourism and Cultural Affairs	9.40	1.50	6.88	4.02
	Total	**13192.20**	**863.18**	**10924.53**	**3130.85**

Appendix–2.15
(Refer to Paragraph 2.3.4, Page 39)

Excessive supplementary grants

(Rupees in crore)

Serial number	Grant/ appropriation	Amount of grant/appropriation				
		Original	Supple-mentary	Total	Actual expenditure	Saving
Revenue-(Voted)						
1.	02-Animal Husbandry and Fisheries	153.28	15.10	168.38	155.98	12.40
2.	12-Home Affairs and Justice	1436.00	58.69	1494.69	1471.98	22.71
3.	13-Industries	28.69	110.58	139.27	138.29	0.98
4.	14-Information and Public Relations	14.31	6.22	20.53	18.27	2.26
5.	17- Local Government, Housing and Urban Development	107.44	149.76	257.20	219.49	37.71
6.	19-Planning	509.63	94.54	604.17	539.05	65.12
7.	23-Rural Development and Panchayats	181.66	332.11	513.77	286.06	227.71
Revenue (Charged)						
8.	12-Home Affairs and Justice	14.33	22.07	36.40	35.35	1.05
Capital (Voted)						
9.	01-Agriculture and Forests	14.85	90.76	105.61	101.29	4.32
10.	03-Co-Operation	20.28	30.10	50.38	30.10	20.28
11.	09-Food and Supplies	0.08	27.93	28.01	26.79	1.22
12.	15-Irrigation and Power	426.57	328.50	755.07	729.72	25.35
13.	19-Planning	556.04	625.16	1181.20	1146.97	34.23
	TOTAL	**3463.16**	**1891.52**	**5354.68**	**4899.34**	**455.34**

Appendix–2.16

(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.	02-Animal Husbandry and Fisheries	12.40	-
2.	03-Co-Operation	29.29	-
3.	04-Defence Services Welfare	5.28	-
4.	06-Elections	10.51	-
5.	07-Excise and Taxation	14.36	-
6.	08-Finance	1754.96	-
7.	09-Food and Supplies	6.11	-
8.	10-General Administration	19.33	-
9.	12-Home Affairs and Justice	22.71	-
10.	14-Information and Public Relations	2.25	-
11.	15-Irrigation and Power	645.78	-
12.	16-Labour and Employment	1.08	-
13.	19-Planning	65.13	-
14.	23-Rural Development and Panchayats	227.71	-
15.	26-State Legislature	2.42	-
16.	29-Transport	32.09	-
Revenue (Charged)			
17.	08-Finance	136.69	-
18.	12-Home Affairs and Justice	1.05	-
19.	13-Industries	5.23	-
20.	21-Public Works	2.26	-
Capital (Voted)			
21.	03-Co-Operation	20.28	-
22.	04-Defence Services Welfare	2.70	-
23.	09-Food and Supplies	1.22	-
24.	10-General Administration	22.86	-
25.	17-Local Government, Housing and Urban Development	278.40	-
26.	19-Planning	34.23	-
27.	21-Public Works	158.14	-
28.	23-Rural Development and Panchayats	122.73	-
29.	29-Transport	14.40	-
	TOTAL	**3651.60**	**Nil**

Appendix–2.17
(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	106.53	72.67	33.86	31.78
2.	05-Education	419.87	79.90	339.97	80.97
3.	11-Health and Family Welfare	216.35	116.92	99.43	45.96
4.	17- local Government, Housing and Urban Development	37.71	10.30	27.41	72.69
5.	22-Revenue and Rehabilitation	334.89	202.42	132.47	39.56
6.	25- Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes	51.60	13.89	37.71	73.08
7.	27-Technical Education and Industrial Training	35.40	30.78	4.62	13.05
8.	28-Tourism and Cultural Affairs	6.03	4.92	1.11	18.54
Capital (Voted)					
9.	01-Agriculture and Forests	4.31	0.18	4.13	95.83
10.	02-Animal Husbandry and Fisheries	16.35	6.71	9.64	58.96
11.	05-Education	88.57	2.00	86.57	97.74
12.	12-Home Affairs and Justice	90.58	43.07	47.51	52.45
13.	24-Science, Technology and Environment	49.01	14.63	34.38	70.15
	Total	**1457.20**	**598.39**	**858.81**	**58.94**

Appendix–2.18
(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								
		2004-2005			2005-2006			2006-07		
		Provision	Expenditure	Excess	Provision	Expenditure	Excess	Provision	Expenditure	Excess
Revenue (Voted)										
	08-Finance									
1.	2071-Pension and other Retirement Benefits, 01-Civil, 105-Family Pension, 01-Family Pension	91.14	109.88	18.74	117.69	123.38	5.69	141.93	207.89	65.96
	21-Public Works									
2.	2215-Water Supply and Sanitation 01-Water Supply 799-Suspense	0	80.33	80.33	0	114.83	114.83	0	158.14	158.14
3.	2059-Public Works 60-Other Buildings 053-Maintenance and Repairs 19-Electrical Operational Works	2.50	5.27	2.77	3.50	6.54	3.04	4.00	6.59	2.59
4.	3054-Roads and Bridges 80-General 799-Suspense	0.01	4.94	4.93	0.01	1.09	1.08	0.01	4.35	4.34
5.	2059-Public Works 80-General 799-Suspense	0	151.02	151.02	0	101.13	101.13	0	155.22	155.22

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	122.41	122.41	0	34.63	34.63	0	86.20	86.20
7.	2515-Other Rural Development Programme 799-Suspense	0	20.04	20.04	0	15.07	15.07	0	51.61	51.61
	Revenue Charged									
	8 – Finance									
8.	2049-Interest Payments, Interest on internal Debt, Interest on Market Loans	538.17	580.75	42.58	627.08	681.05	53.97	713.88	733.94	20.06
	TOTAL	**631.82**	**1074.64**	**442.82**	**748.28**	**1077.72**	**329.44**	**859.82**	**1403.94**	**544.12**

Appendix–2.19
(Refers to Paragraph 2.3.9, Page 40)

Cases of re-appropriation under which the expenditure finally showed excess over the balance provision

(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.15						
1.	2700-Major Irrigation 04-Beas Project Unit-I(BSL)-Commercial 001-Direction and Administration 01-Direction	23.53	0.08	2.06	25.67	29.73	4.06
2.	4701-Capital Outlay on Medium Irrigation 06-Extension of Phase-II-Kandi Canal from Hoshiarpur to Balachaur-Commercial 001-Direction and Administration 08-Works Expenditure (Plan)	37.81	0	1.67	39.48	46.86	7.38
	Grant No.19						
3.	5475-Capital Outlay on Other General Economic Services 112-Statistics 01-Formulation of District Plan at District Headquarters (Plan)	423.02	428.16	5.00	856.18	894.62	38.44
	Total	**484.36**	**428.24**	**8.73**	**921.33**	**971.21**	**49.88**

Appendix–2.20
(Refers to Paragraph 2.3.9, Page 40)

Significant cases of major re-appropriation which were injudicious on account of non-utilisation

(Rupees in crore)

Sr. No	Grant No.	Major head affecting the grant	Original	Supplementary	Re-appropriation	Total grant	Expenditure	Amount of final Saving
1.	1	2406-Forestry and Wild Life 01-Forestry 001-Direction and Administration 01-Direction and Administration	25.34	0	0.05	25.39	24.29	1.10
2.		2401-Crop Husbandry 001-Direction and Administration 01-Direction	64.38	0	0.25	64.63	56.69	7.94
3.		2402-Soil and Water Conservation 102-Soil Conservation 20-Centrally Sponsored Scheme for Micro Irrigation on Horticulture (CSS)	2.40	0	1.63	4.03	1.13	2.90
4.		2402-Soil and Water Conservation 102-Soil Conservation 20-Centrally Sponsored Scheme for Micro Irrigation on Horticulture (Plan)	0.60	0	0.41	1.01	0	1.01
5.	3	2425-Co-Operation 001-Direction and Administration 01-Direction	35.03	1.61	0.34	36.97	34.76	2.21
6.	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	2.00	0	0.69	2.69	0.50	2.19
7.		4235-Capital Outlay on Social Security and Welfare 02-Social Welfare 190-Investments in Public Sector and other Undertakings 09-Provision for Purchase of Plot for Construction of multi Purpose Complex for the Welfare of Ex-servicemen at Mohali (Plan)	1.20	0	0.50	1.70	0	1.70

8.	5	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	1.48	81.77	55.48	26.29
9.		2202-General Education 03-University and Higher Education 103-Government Colleges and Institutes 02-Government Professional Colleges	3.52	0	0.18	3.70	0.03	3.67
10.		2202-General Education 03-University and Higher Education 102-Assistance to Universities 10-Computer Labs to 23 Colleges including 4 Colleges for Women (Plan)	0	0	1.50	1.50	0	1.50
11.	6	2015-Elections 106-Charges for conduct of elections to State/Union Territory Legislature 01-Election to State Legislature	15.12	0.17	2.33	17.62	10.78	6.84
12.	8.	2235-Social Security and Welfare 60-Other Social Security and Welfare Programmes 200-Other Programmes 02-Ex-gratia payments to families of Ministers, Government Servants etc. dying in harness	9.00	1.19	1.81	12.00	9.42	2.58
13.		6003-Internal Debt of the State Government 109-Loans from other Institutions 01-Loans from Housing Development Financial Corporation and Housing Urban Development Corporation	154.35	0	55.11	209.46	52.57	156.89
14.	10	2052-Secretariat-General Services 090-Secretariat 01-General Service Secretariat	37.09	3.08	0.69	40.86	34.62	6.24
15.	11	2210-Medical and Public Health 06-Public Health 101-Prevention and Control of Diseases 01-National Malaria Eradication Programme (Rural)	41.46	0	1.67	43.13	35.14	7.99

16.		2210-Medical and Public Health 01-Urban Health Services-Allopathy 001-Direction and Administration 01-Direction	20.99	0	0.24	21.23	16.20	5.03
17.		2210-Medical and Public Health 03-Rural Health Services-Allopathy 110-Hospitals and Dispensaries 01-Medical Relief to Hospitals and Dispensaries	42.46	0	1.22	43.68	38.67	5.01
18.		2210-Medical and Public Health 03-Rural Health Services-Allopathy 103-Primary Health Centres 01- Primary Health Centres	69.21	0	3.51	72.72	66.37	6.35
19.		2210-Medical and Public Health 01-Urban Health Services-Allopathy 110-Hospitals and Dispensaries 03-Medical Relief to Mental Hospital, Amritsar	6.72	0	0.01	6.73	5.07	1.66
20.		2210-Medical and Public Health 06-Public Health 101-Prevention and Control of Diseases 04-Other Preventive measures	6.47	0	0.03	6.50	4.92	1.58
21.		2210-Medical and Public Health 01-Urban Health Services-Allopathy 001-Direction and Administration 02-District Administration	10.92	0	0.11	11.03	9.95	1.08
22.		2210-Medical and Public Health 03-Rural Health Services-Allopathy 104-Community Health Centres 01- Community Health Centres	19.28	0	1.66	20.94	18.66	2.28
23.	12	2056-Jails 101-Jails 01-Central Jails	36.26	2.53	0.07	38.86	35.61	3.25
24.	15	4700-Capital Outlay on Major Irrigation 03-Satluj Yamuna Link (SYL)-Commercial 800-Other Expenditure 08-Works Expenditure	3.00	28.50	3.50	35.00	6.62	28.38

25.		4711-Capital Outlay on Flood Control Projects 03-Drainage 103-Civil Works 45-Flood Protection Works on River Ghaggar (Plan)	0	0	7.00	7.00	0	7.00
26.		4711-Capital Outlay on Flood Control Projects 03-Drainage 103-Civil Works 44-Construction of embankments of River Ghaggar from Khanaura to Karali in District Sangrur (NABARD)	0	0	3.50	3.50	0	3.50
27.		4701-Capital Outlay on Medium Irrigation 12-Raising Capacity of Main Branch Canal from RD 18300 to 23900 R-Commercial 800-Other Expenditure 08-Works Expenditure (Plan)	3.00	0	15.92	18.92	0	18.92
28.		4701-Capital Outlay on Medium Irrigation 22-Lining oc Channel Mamdoot Distributory System (NABARD)-Commercial 800-Works Expenditure 08-Works Expenditure (Plan)	3.00	0	16.69	19.69	0	19.69
29.		4701-Capital Outlay on Medium Irrigation 13-Remodelling/Construction of Distributories/Minors-Commercial 800-Other Expenditure 08-Works Expenditure (Plan)	0	0	13.00	13.00	0	13.00
30.		4711-Capital Outlay on Flood Control Projects 03-Drainage 103-Civil Works 08-Works Expenditure (Plan)	0	0	1.62	1.62	0	1.62
31.	19	3451-Secretariat-Economic-Services 101-Planning Commission-Planning Board 04-Formulation of District Plan at District Headquarter (Plan)	492.14	72.93	0.37	565.44	504.73	60.71
32.	22	2245-Relief on account of Natural Clamities 05-Clamity Relief Fund 101-Transfer to Reserve Funds and Deposit Accounts-Clamity Relief Fund 01- Transfer to Reserve Funds and Deposit Accounts-Clamity Relief Fund	153.33	0	73.03	226.36	149.70	76.66

33.		2030-Stamps and Registration 02-Stamps-Non-Judicial 102-Expenses on sale of Stamps 01-Expenses on sale of Stamps	16.67	0	0.41	17.08	13.14	3.94
34.	24	5425-Capital Outlay on other Scientific and Environmental Research 208-Ecology and Environment 39-Integrated Rural Energy Programme (CSS)	1.70	0	0.25	1.95	0	1.95
35.	25	2235-Social Security and Welfare 02-Social Welfare 103-Women's Welfare 14-Swayam Sidha Scheme (CSS)	0.66	0	1.11	1.77	0.25	1.52
		Total	**1357.59**	**110.01**	**211.89**	**1679.48**	**1185.3**	**494.18**

Appendix-2.21
(Refers to Paragraph 2.5, Page 42)

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.	2-Animal Husbandry and Fisheries	6.00	Secretary to Government, Punjab, Department of Animal Husbandry, Chandigarh	(i) Total of re-appropriation order in respect of 'From' and 'To' sides do not tally. (ii) Re-appropriation order made to the New Scheme.
2.	5-Education	1.47	Principal Secretary, Sports and Youth Services, Punjab, Chandigarh	(i) Re-appropriation order is issued after the close of the financial year. (ii) Re-appropriation order is not according to revised estimate. (iii)Re-appn order made to the new scheme.
3.	DO	3.04	Principal Secretary, Sports and Youth Services, Punjab, Chandigarh	(i) Re-appn order is not according to revised estimates. (ii)Re-appn orders issued after the close of the financial year.
4.	-do-	103.78	Special Secretary to Government Punjab, Education Department, Chandigarh	(i) Total of the re-appropriation order in respect of 'From' and 'To' sides do not tally. (ii) Re-appropriation order made to the new scheme. (iii) Figures of Plan, CSS have not been shown separately..
5.	8-Finance	480.84	Special Secretary to Government Punjab, Finance Department, Chandigarh	(i) Re-appn order is not according to revised estimates. (ii) Re-appn order made to the new scheme. (iii) Re-appn is not signed by the competent authority.
6.	9-Food and Supplies	0.25	Principal Secretary to Government of Punjab, Deptt. of Food and Supplies, Chandigarh.	(i) Re-appn order is not according to revised estimates (ii) Saving of salary used in other SOE/s.
7.	11-Health and Family Welfare	11.35	Pr. Secretary to Government of Punjab, Medical Education and Research Department, Chandigarh	(i) Re-appn order is not according to revised estimates (ii) Surrenders/withdrawl is used without prior permission of Finance Deptt.
8.	13-Industries	1.26	Secretary to Government Punjab, Department of Industries and Commerce, Chandigarh	(i) Re-appropriation order is not according to revised estimates. (ii)Re-appn made from "Capital Section" to Revenue Section..
9.	16-Labour and Employment	0.49	Pr. Secretary to Government of Punjab, Labour and Employment Deptt., Chandigarh.	(i) Re-appn order issued after the close of the financial year. (ii)Saving of Salary used in other SOE's.

10.	18-Personnel and Administrative Reforms	0.35	Secretary to Government of Punjab Deptt. of Personnel, Chandigarh.	i) Total of the re-appropriation order in respect of 'From' and 'To' sides do not tally. (ii) Re-appropriation order is not according to revised estimates.
11.	21-Public Works	131.08	Secretary to Government Punjab, Department of Public Works, B&R Branch, Patiala	(i) Total of the re-appropriation order in respect of 'From' and 'To' sides do not tally. (ii) Re-appropriation order made to the new scheme. (iii) Re-appn made against NIL provision.
12.	24-Science, Technology and Environment	0.02	Secretary to Government of Punjab, Deptt. of Science, Technology and Environment, Chandigarh	(i) Total of the re-appropriation order in respect of 'From' and 'To' sides do not tally. (ii) Re-appropriation order is not according to revised estimates. (iii) Surrenders/withdrawl is used without prior permission of Finance Deptt.
13.	29-Transport	41.53	Principal Secretary to Government Punjab, Department of Transport, Chandigarh	(i) Re-appropriation order is not according to revised estimate. (ii) Depot-wise break-up not shown separately.
	Total	**781.46**		

Appendix-2.22
(Refers to paragraph 2.6, page 42)

Statement showing flow of expenditure during the 4th quarter of 2006-07

(Rupees in crore)

Sr.No.	Head	Expr 4th Qtr	Expr Mar	Total Expenditure	%age 4th Qtr:total	%age Mar:Total
1	2015	20.21	10.58	27.72	72.92	38.16
2	2075	1408.88	457.89	2046.44	68.85	22.38
3	2852	105.00	105.00	105.00	100.00	100.00
4	4055	28.65	26.90	56.62	50.61	47.52
5	4070	4.72	1.43	5.48	86.30	26.16
6	4202	13.22	13.38	17.71	74.65	75.56
7	4210	8.46	5.86	9.64	87.75	60.77
8	4515	71.74	70.89	131.97	54.36	53.71
9	5452	4.11	4.11	4.82	85.14	85.14
10	4250	1.09	1.09	1.09	100.00	100.00
	Total	**1666.08**	**697.13**	**2406.49**	**69.23**	**28.97**

Appendix-2.23
(Refers to Para 2.7, Page 42)

Detail of Expenditure on New Service/New Instrument of Service

(Rupees in crore)

Sr.No	Grant No	Head of Account	Scheme	Expenditure
1	8	2054-Treasury and Accounts 95-Directorate of Accounts and Treasury and Accounts	98-Computerisation in the State	2.47
2	9	3456-Civil Supplies 800-Other expenditure-Distribution of pulse at subsidized price through fair price shops.	01-C.S.II-Enforcement of consumer Protection Act 1988 (Esh) 01-Salaries	4.18
3	11	4210- Capital outlay on Medical and Public Health-01-Urban Health service-Allopathy 110- Hospital and Dispensaries-up gradation of Civil Hospital, Mohali.	52-Machinery and Equipment	0.58
4	19	3451-Secretariat Economic Services 101-Planning Board	19-P.M 1.19- Creation of Research Institute	0.66
5	23	3604- Compensation and Assignments to Local Bodies and Panchyati Raj Institutions 200-Other Miscellaneous compensation and Assignments	Grant for service provided to E.T.T teachers as regular service in their pay scale in Rural areas.	99.15
6	23	3604- Compensation and Assignments to Local Bodies and Panchyati Raj Institutions 200-Other Miscellaneous compensation and Assignments	Grant for Service provider to (Doctor) in Rural Dispensaries	57.45
		Total		**164.49**

Appendix-2.24
(Refer to paragraph 2.8.2, page 43)

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)		
		2004-05	2005-06	2006-07
	Grant No. 13-Industries			
	Revenue Plan CSS			
1	2851-Village & Small Industries 001-Direction and Administration 15 Prime Minister Rozgar Yojana	100 100 (100)	120.00 71.68 (59.73)	200 200 (100)
	Grant No. 17 Local Government, Housing & Urban Development			
	Revenue Non-Plan State			
2	3604-Compensation & Assignments to Local bodies & Panchayati Raj Institutions 200-Other miscellaneous compensations & Assignments SH-12 Grants-in-aid to MCs/Corporations notified Area Committees in lieu of abolition of octroi in the state	6604.00 4924.00 (74.56)	19789.82 6719.05 (33.95)	8000.00 1051.87 (13.15)
	Capital Plan State Share			
3	4217-Capital Outlay on Urban Development 60-Other Urban Development Schemes 800-Other Expenditure 05-Prevention of Pollution of River Sutlej-Cost of land	580.00 487.00 (83.97)	7000.00 7000.00 (100.00)	5000.00 5000.00 (100.00)
4	11-Swaran Jayanti Shehri Rozgar Yojana	275 275 (100)	200 200 (100)	200 200 (100)
5	29-National Urban Information System (70:30)	5.00 5.00 (100)	12.00 12.00 (100)	12.00 12.00 (100)
	Grant No. 19-Planning			
	Revenue Non-Plan State			
	Revenue Plan CSS			
6	3454-Census Surveys & Statistics 02- Surveys & Statistics 204-Central Statistical Organisation 19-Conduct of 5th Economy Census Surveys in Punjab	12.28 11.76 (95.77)	187.47 31.06 (16.57)	52.00 31.07 (59.75)
	Revenue Plan State			

7	3451-Secretariate Economic Services 01-Planning Commission-Planning Board 04-Formulation of District Plan at the District Headquarters	27830.61 21614.86 (77.67)	58524.46 4765.48 (8.14)	56544.60 6071.35 (10.74)
8	18-Grants-in-aid to institute for development of communication for Research and Development ACA	1.00 1.00 (100)	0.10 0.10 (100)	500.00 200.00 (40)
	Grant No. 23-Rural Development & Panchayats			
	Revenue Plan CSS			
9	2501-Special programmes for Rural Development 01-Integrated Rural Development Programme 001-Direction and Administration 03-Strengthening of DRDA's in the state	750.00 750.00 (100)	750.00 750.00 (100)	450.00 450.00 (100)
	Revenue Non-Plan State			
10	2515-Other Rural Development programmes 001-Direction and Administration 01-Administration	4237.00 321.26 (7.58)	4505.47 266.28 (5.91)	6099.93 634.51 (10.40)
	Revenue Plan CSS			
11	800-Other expenditure 14 Integrated waste land Development project	660.00 660.00 (100)	660.00 660.00 (100)	475.31 475.31 (100)
12	12-Extension at Training Centres	18.00 18.00 (100)	18.00 18.00 (100)	18.00 18.00 (100)
	Revenue Plan Share			
13	800-Other expenditure 05-Training of Panches & Sarpanches in the States (Share)	169.24 169.24 (100)	227.79 192.41 (84.47)	75.00 75.00 (100)
	Revenue Plan State			
14	2515-Other Rural Development programme 800-Other expenditure 02-Issue of yellow cards for identification of weaker section	6.00 6.00 (100)	0.10 0.10 (100)	35.00 35.00 (100)

	Capital Plan State			
15	4515-Capital outlay on other Rural Development programme 102-Community Development 01-Provision of Matching share for providing basic infrastructure through NRI's participation	100.00 100.00 (100)	275.00 275.00 (100)	100.00 100.00 (100)
16	103-Rural Development 03-Rural Shelter (Gramin Awas) under PMGY	740.00 705.29 (95.31)	244.00 56.71 (23.24)	131.00 131.00 (100)
	Grant No. 25 Social & Women's Welfare and Welfare of Scheduled Castes and Backward Classes			
	Revenue Non-Plan State			
17	2225-Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes 01-Welfare of Scheduled Castes 277-Education 01-Scholarships for Post Matric Students for scheduled castes	600.00 373.97 (62.33)	1414.59 541.29 (38.26)	1417.30 30.00 (2.12)
18	03-Hostels for Boys & Girls studying in school & colleges	20.00 20.00 (100)	20.00 20.00 (100)	30.00 30.00 (100)
19	02-Welfare of Scheduled Tribes 277-Education 01-Promotion of education among educationally Backward classes	2473.82 2146.29 (86.76)	2373.82 35.00 (1.47)	2200.00 219.18 (9.96)
	Revenue Plan CSS			
20	789-Special component plan for Scheduled Castes 01-Scheme for setting up of institutes for training to scheduled castes candidates in stenography	63.30 31.27 (49.40)	63.30 15.52 (24.52)	56.84 14.47 (25.46)
21	03-Capital subsidy under bank tie-up loaning programme to below poverty line scheduled castes through Punjab Scheduled Castes land Development and Finance Corporation	2000.00 2000.00 (100)	2000.00 700.00 (35)	2000.00 1350.00 (67.50)
22	09-Strengthening of 108 community centres for providing equipments and raw material	75.21 75.21 (100)	75.92 75.92 (100)	59.82 59.82 (100)

23	11-Implementation of SCA programmes at District Headquarter placing the funds at the disposal of D.C.	340.00 340.00 (100)	340.00 340.00 (100)	340.00 340.00 (100)
24	03-Welfare of Backward Classes 277-Education- 04-Scheme of Post Matric Scholarship to the other Backwardness for studies in India	425.94 425.94 (100)	425.94 177.99 (41.79)	750.00 540.56 (72.07)
	Revenue Non-Plan CSS			
25	2235-Social Security and Welfare 02-Social Welfare 09-Integrated child Development Service Scheme	5805.11 954.07 (16.44)	5824.01 388.85 (6.68)	6155.43 690.59 (11.22)
26	11-Kishori Shakti Yojana	51.70 44.64 (86.34)	51.70 37.70 (72.92)	162.80 126.78 (77.87)
	Revenue Non-Plan State			
27	06-Integrated Child Development Services Honorarium to Anganwadi workers & Helpers	515.00 35.05 (6.81)	767.38 92.90 (12.11)	1092.85 90.60 (8.29)
28	60-Other Social Security & Welfare programme 102-Pension under Social Security Schemes 01-Old Age Pensions	284.37 31.22 (10.98)	331.97 45.60 (13.74)	380.07 61.29 (16.13)

Appendix-2.25
(Refer to paragraph 2.8.3, page 43)

Savings due to Funds not released/cut imposed by the Finance Department/Scheme not cleared by the Government

(Rupees in lakh)

Sr. No.	Grant/Head of Account/Name of the scheme	Final saving	Contributing reasons as stated by the department
	Grant No. 19 Planning		
	Revenue-Plan State		
1.	3451—Secretariat Economic services 101-Planning Commission and Planning Board 04-1.5 Formulation of District Plan at the District Headquarters	6071.35	Saving is mainly due to late release of funds by the Finance Department
2.	10 Assistance to Non-Government organization	43.48	Funds not released by the Finance Department
3.	18 Grant in aid to institute for development of communication for research & development ACA .	200.00	Funds Not approved by the state government
	Grant No.-23 Rural Development and Panchayats		
	Revenue Plan State		
4.	2501-Special Programmes for Rural Development 01- Integrated Rural Development Programme 001- Direction and Administration 03-Strengthening/Administration of DRDAS in the State	37.48	Due to late receipt of funds from Government of India i.e. last week of 3/07
	Revenue Plan CSS		
5.	03-Strengthening/Administration of DRDAS in the State	450.00	Due to late receipt of funds from Government of India i.e. last week of 3/07
	Revenue Plan CSS		
6.	2515-Other Rural Development Programme 800-Other Expenditure 12-Extension of training Centre	18.00	No funds were received during the year
7.	14 Integrated waste land development project	475.31	Due to late receipt of funds from Government of India i.e. last week of 3/07

8.	28 Sampuran Gramin Rozgar Yojana	4891.53	Due to late receipt of funds from the Government of India
	Revenue Plan Share		
9.	29 National Rural Employment Guarantee Scheme	3375.00	Due to late receipt of funds from Government of India i.e. last week of 3/07
10.	05-Training of Panches and Sarpanches in the State	75.00	No funds were received during the year 2006-07.
	Revenue Plan State		
11.	29 National Rural Employment Guarantee Scheme	375.00	Due to late receipt of funds from F.D. i.e. last week of March 2007
12.	05-Training of Panches and Sarpanches in the State	25.00	Funds not released by Finance Department
	Capital Plan Share		
13.	4515-Capital Outlay on other Rural Development Programme 800-Other expenditure 04 National Rural employment Guarantee Scheme	1125.00	Due to late receipt of funds from Finance Department. i.e. last week of March 2007
	Capital Plan State		
14.	03-Rural Development 03 Rural Shelter (Gramin Awas) under PMGY	131.00	Due to late receipt of funds from Finance Department. i.e. last week of March 2007
15.	800-Other expenditure 04 National Rural Employment Guarantee Scheme	125.00	Due to late receipt of funds from Finance Department i.e. last week of March 2007
16.	08-Contribution to village development funds out of grant recommended by State Finance Commission	1000.00	Funds were not released by Finance department
17.	789-Special Component Plan for Scheduled Castes 02-Environmental improvement of Scheduled Castes Basties/villages with stress on sanitation (ACA)	1000.00	The funds were not cleared by the State Finance Department

	Capital Plan CSS		
18.	4515-Capital outlay on other Rural Areas 103-Rural Development 04 Indira Awas Yojana	2500.00	Due to late receipt of funds from Government of India i.e. last week of March 2007
19.	06 Sampuran Gramin Rozgar Yojana	4891.53	Due to late receipt of funds from Government of India i.e. last week of March 2007
20.	15 Swaran Jayanti Swarojgar Yojana	920.00	Due to late receipt of funds from Government of India i.e. last week of March 2007
	Total	**27729.68**	

Say Rupees 277.29 crore

Appendix-2.26
(Refer to paragraph 2.8.3, page 43)

Savings due to bills not passed by the Treasury

(Rupees in lakh)

Sr. No.	Grant/Head of Account/Name of the Scheme	Final saving	Contributing reasons as stated by the department
	Grant No. 19-Planning **Revenue Plan CSS**		
1.	3454- Census, Surveys and Statistics. 02- Survey and Statistics 204- Central statistical organization 19-Conduct of 5th Economic census survey in Punjab	31.07	Bills not passed by the Treasury
	Grant No. 23-Rural Development & Panchayats		
	Revenue, Non-Plan State		
2.	3604-Compensation and assignments to Local Bodies & Panchayati Raj Institutions 200-Other Miscellaneous compensation & assignments 05-Grants to Zila Parishads for loss on account of abolition of profession Tax	30.00	Bills submitted to Treasury Office but not cleared
3.	07-Compensation to the District Boards for loss of income from Ferries under the Northern Indian Ferrie	2.70	Bills submitted to Treasury Office but not cleared
4.	18-Grant on the recommendation of 3rd State Finance Commission	10700.00	Bills submitted to Treasury Office but not cleared
	Revenue, Plan State		
5.	4515-Capital Outlay on other Rural Development Programmes 800-Other Expenditure 06- Incomplete Sewerage system in villages	400.00	Bills were not passed by Treasury Office

	Grant No. 25 Social & Women Welfare and Welfare of Scheduled Castes & Backward classes		
	Revenue Non-Plan State		
6.	2225-Welfare of Scheduled Castes and other Backward Classes 03-Welfare of Backward Classes 800-Other Expenditure 04-Grant in-aid to Punjab Backward Land Development & Finance Corporation (BACKFINCO)	6.51	Bill not cleared by the Treasury office
	Revenue Plan CSS		
7.	01-Welfare of Scheduled Castes 789-Special Component Plan for Scheduled Castes 02-Training of unemployed Scheduled Castes on light/heavy vehicles drivers for 300 persons	34.00	Bill not cleared by the Treasury office
8.	09-Strengthending of 108 community centres for providing equipments and raw materials	59.82	Bill not cleared by the Treasury office
	Total	**11264.10**	

Say Rupees 112.64 crore

Appendix 4.27

(Refer paragraph 4.6.1, page 110)

Statement showing paragraphs/reviews for which explanatory notes were not received upto March 2007

(Audit Report Civil)

S. No.	Name of the department	2000-01	2001-02	2002-03	2003-04	2004-05	Total
1.	Agriculture	-	-	-	-	2	**2**
2.	Education Department	-	1	1	-	2	**4**
3.	Financial Assistance to Local Bodies Education, Health & Family Welfare, Animal Husbandry, Rural Development, Public Works Deptt.(PHB), Agriculture, Sports, Social Welfare, General Administration, Housing and Urban Development, Science & Technology	1	1	-	-	-	**2**
4.	General Administration Home, Transport, Justice, Jail and Police	-	-	2	1	2	**5**
5.	General Paras General Administration, Home Affairs & Justice, Finance, Police, Jails, Education, Food and Civil Supplies, Agriculture, Town and Country Planning, Rural Development, Animal Husbandry, Health & Family Welfare, Cooperation, Public Works Deptt (PHB), Local Government, Defence Services, Social Welfare, Sports and Youth Services, Rehabilitation	-	-	-	1	-	**1**
6.	Health and Family Welfare	2	-	3	1	1	**7**
7.	Industry	-	-	-	1	-	**1**
8.	Public Works Department (Buildings and Roads)	3	4	6	6	3	**22**
9.	Public Works Deptt (Public Health)	-	-	-	2	-	**2**
10.	Public Works Deptt (Irrigation and Power)	1	2	5	4	2	**14**
11.	Revenue Deptt	-	-	-	1	-	**1**
12.	Planning	-	-	-	1	-	**1**
13.	Rural Development and Panchayats	-	1	1	-	1	**3**
14.	Social Welfare	-	-	2	-	-	**2**
15.	Tourism and Cultural Affairs	-	-	-	1	-	**1**
16.	Transport	-	-	-	1	-	**1**

17.	Technical Education & Industrial Training	1	-	1	-	1	**3**
18.	Animal Husbandry	-	1	-	-	-	**1**
19.	Cooperation Deptt.	-	1	-	-	-	**1**
20.	Labour & Employment	-	-	-	1	-	**1**
21.	Housing and Urban Development	-	-	3	7	2	**12**
22.	Information & Public Relation	-	-	1	-	-	**1**
23.	Food, Civil Supplies and Consumer Affairs Department	-	-	-	-	1	**1**
24.	Water Supply and Sanitation Department (PH)	-	-	-	-	2	**2**
	Total	**8**	**11**	**25**	**28**	**19**	**91**

Reviews : 18

Paras : 73

Appendix 4.28

(Refer paragraph 4.6.1, page 110)

List of Reviews and Paras of Report of CAG of India for which explanatory notes were not received upto March 2007

(Audit Report Civil)

Sr No.	Name of the department	Year of Audit Report	Number of Review	Number of Para	Total	Grand Total
1.	Agriculture	2004-05		4.2.4, 4.7.2	2	2
2.	Education Department	2001-02	-	6.5	1	
		2002-03	-	4.2.1	1	4
		2004-05	-	4.3.1, 4.6.1	2	
3.	Financial Assistance to Local Bodies					
	Education, Health & Family Welfare, Animal Husbandry, Rural Development, Public Works Deptt.(PHB), Agriculture, Sports, Social Welfare, General Administration, Housing and Urban Development, Science & Technology	2000-01	-	6.5	1	2
		2001-02	6.1	-	1	
4.	General Administration					
	Home, Transport, Justice, Jail and Police	2002-03	3.6	4.1.5	2	5
		2003-04	-	4.2.11	1	
		2004-05	-	4.4.2, 4.5.1	2	
5.	General Paras General Administration, Home Affairs & Justice, Finance, Police, Jails, Education, Food and Civil Supplies, Agriculture, Town and Country Planning, Rural Development, Animal Husbandry, Health & Family Welfare, Cooperation, Public Works Deptt (PHB), Local Government, Defence Services, Social Welfare, Sports and Youth Services, Rehabilitation	2003-04	-	4.6.1	1	1
6.	Health and Family Welfare					
		2000-01	-	3.7, 3.8	2	
		2002-03	3.2	4.4.3, 4.5.1PT 4.6.1	3	7
		2003-04	3.4	-	1	
		2004-05		4.7.1	1	
7.	Industry	2003-04	3.5	-	1	1
8.	Public Works Department (Buildings and Roads)					
		2000-01	-	4.5, 4.6, 4.7	3	
		2001-02	4.1	4.2, 4.3, 5.1	4	
		2002-03	-	4.1, 4.1.2, 4.3.3, 4.5.1, 4.5.3, 4.5.4	6	22
		2003-04	3.1, 3.2	4.2.8, 4.3.2, 4.5.2, 4.5.3	6	
		2004-05	3.1, 3.3	4.4.3 4.4.1 pt, 4.4.2 pt	3	
9.	Public Works Deptt (Public Health)	2003-04	5.1	4.2.10	2	2

10.	Public Works Deptt (Irrigation and Power)					14
		2000-01	4.2	-	1	
		2001-02	-	4.4, 4.5	2	
		2002-03	3.3, 3.4	4.3.1, 4.3.2, 4.4.1	5	
		2003-04	-	4.1.1, 4.1.2, 4.2.12, 4.4.1	4	
		2004-05	-	4.2.2, 4.2.3	2	
11.	Revenue Deptt	2003-04	-	4.2.9	1	1
12.	Planning	2003-04	-	4.2.5	1	1
13.	Rural Development and Panchayats	2001-02	-	6.3	1	3
		2002-03		4.4.2	1	
		2004-05	-	4.4.1	1	
14.	Social Welfare	2002-03	3.7	4.6.3	2	2
15.	Tourism and Cultural Affairs	2003-04	-	4.2.7	1	1
16.	Transport	2003-04	-	4.2.1	1	1
17.	Technical Education & Industrial Training	2000-01	-	6.4	1	3
		2002-03	-	4.4.5	1	
		2004-05	5.1	-	1	
18.	Animal Husbandry	2001-02	-	3.2	1	1
19.	Cooperation Deptt.					1
		2001-02		3.3	1	
20.	Labour & Employment	2003-04	3.3	-	1	1
21.	Housing and Urban Development	2002-03	-	4.1.3, 4.3.4, 4.5.2	3	12
		2003-04		4.1.3, 4.1.4, 4.2.2, 4.2.3, 4.2.4, 4.3.1, 4.5.1	7	
		2004-05		4.1.1, 4.2.1	2	
22.	Information & Public Relation	2002-03	-	4.1.4	1	1
23.	Food, Civil Supplies and Consumer Affairs Department	2004-05	3.2	-	1	1
24.	Water Supply and Sanitation Department (PH)	2004-05	-	4.1.2, 4.4.4	2	2
	TOTAL		**18**	**73**		**91**