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REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2005

(CIVIL)

GOVERNMENT OF PUNJAB

Audit Report (Civil) Government of Punjab 2004-2005

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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 2005.

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 2004-05 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 2004-05 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 2004-05 and three others comprising four Reviews and 17 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 judgement basis. The specific audit methodology adopted for programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and recommendations made taking into consideration the views of the Government.

Financial position of the State Government

The finances of the State continued to be under stress during 2004-05 and revenue receipts were not keeping pace with revenue expenditure. The revenue receipts were totally consumed by the committed expenditure of State viz. salaries, pensions and interest payments. Although the revenue deficit decreased marginally from Rs 3,563 crore in 2003-04 to Rs 3,391 crore in 2004-05, the continuous application of borrowed funds largely to current consumption and debt servicing indicated increased unsustainability and vulnerability of the State finances. The increasing ratio of fiscal liabilities to GSDP together with a large revenue deficit indicated that the State was gradually getting into a debt trap. Similarly, the higher buoyancy of debt both with regard to its revenue receipts and own resources indicated its increasing unsustainability. The State's high cost borrowing for investments, which yielded very little return, indicated an implicit subsidy. Thus, the State has either to generate more revenues from out of its existing assets or needs to provide from its current revenue for servicing its debt obligations. The FRBMA 2003 was a step in the right direction but the commitments made therein still remained to be fulfilled by the State Government. The reduction in revenue deficit as percentage of total revenue receipts, by at least five percentage points, from the previous year have not been achieved. Only through reducing revenue and fiscal deficit by compressing non-developmental revenue expenditure in a time bound manner coupled with prudent debt management, can the State achieve long term fiscal stability.

National Highways in Punjab

Audit Findings

National Highways are important roads conforming to the latest road safety norms and connect state capitals, industrial towns and places of historical and religious importance as well as tourist attraction.

The review highlights lapses in planning, coordinating and monitoring of works as also technical failures in execution of construction and maintenance works.

The State Government spent its own resources on construction of certain stretches of NHs that they had not taken over from the Municipal Committees concerned and expenditure on which was, therefore not reimbursed by the GOI.

Audit observed lapses in technical supervision and unsatisfactory financial management; failure to obtain administrative approval and financial sanction of estimates; non-execution of works as per estimates; improper planning, including incomplete survey, etc. necessitating changes in design and subsequent increase in scope of works. The lapses resulted in non-receipt of reimbursement of expenditure from the Central Government and infructuous expenditure on works including cost and time overrun besides deferring the benefits that were to accrue from the works.

Recommendations

Efforts may be made to ensure economy in expenditure, and works restricted to items approved by the Central Government.
The areas of survey, planning and estimation need to be given more attention to avoid changes in scope of work or specifications at advanced stage of execution of works in order to minimise the risk of time and cost overrun apart from untoward litigations.

Implementation of the Acts and Rules relating to Consumer Protection

Audit Findings

The Consumer Protection Act, 1986 was to provide simple, speedy and inexpensive redressal for consumers' grievances. Review in audit revealed that the legislative intent of Parliament to empower the consumer was only partially achieved mainly owing to the inability of the State Government to provide adequate infrastructure like buildings and equipment to facilitate the consumer courts including the State Commission to adjudicate disputes. Consumer councils were also not set up. This contributed to the rising trend in pendency of cases. The State Government also failed to create awareness amongst consumers about their rights

Recommendations

For effective implementation of the Act, it is recommended that sufficient staff and additional benches be provided to the consumer courts. Funds should be provided for construction of buildings and equipping the and the availability of legal remedies. Absence of prescribed records in the Weights & Measures Department provided little assurance about the State Government's seriousness in protecting the legitimate rights of the consumers. The enforcement of the Prevention of Food Adulteration Act was poor as evident from the large number of vacancies in the enforcement cadres leading to reduced levels of surveillance.

consumer courts. Budget for publicity should be increased to create consumer awareness. Consumer councils should be set up. The working of the Weights and Measures Department and the enforcement of the Prevention of Food Adulteration Act need closer attention of the Government.

Cash Settlement Suspense Account and Material Purchase Settlement Suspense Account

Audit Findings

As per the codal provisions, cost of material supplied or services rendered, including those pertaining to work done, by one Public Works Division to another, is initially classified under the head CSSA and are required to be settled by the divisions amongst themselves. At the close of the year, all the expenditure should be booked to the final head of account by clearing the suspense heads and normally there should be no balance under them. To achieve this object, outstanding items should be reviewed periodically by the divisional officers to see that settlements are not unduly delayed. Despite proposal made by AG (A&E) to dispense with CSSA & MPSSA and replace the same with cash and carry system, no decision had been taken by the State Government.

The control over the maintenance of these suspense heads was deficient. The heavy outstanding balances indicated that, the expenditure under the functional heads of account did not reflect the actual value of work done or service rendered. Items remaining outstanding for a long period and irregular transfer of cash through CSSA might lead to frauds. The amounts on account of services rendered to autonomous bodies placed irregularly under the suspense heads resulted in non-realisation of money and the

Recommendations

Early decision may be taken on the proposal of the AG(A&E) to dispense with the operation of the minor heads CSSA and MPSSA and adoption of the "Cash & Carry" system.

For proper monitoring at higher levels, periodical returns/reports may be prescribed for submission by the divisions so as to arrest the rising pendency in settlement.

Reasons for the outstanding balances may be ascertained and action taken against the erring officials.

An effective internal control mechanism in consequent loss to Government. Ineffective internal control mechanism facilitated the continuance of this practice.

this regard may be evolved.

Evaluation of internal control system in Technical Education and Industrial Training Department

Audit Findings

Internal control procedures are laid down in the rules, regulations, codes and manuals and adherence thereto provides reasonable assurance to departmental officers in achieving reliability in accounting, financial reporting, effectiveness and efficacy in department's operation to safeguard against errors and irregularities.

The internal control procedure was lacking inasmuch as the budget demands during 2001-05 were substantially higher than actual expenditure; expenditure was incurred without or in excess of budget provisions; cash books were not maintained properly; reconciliation of withdrawals and remittances was not done with the treasury; physical verification of stores was not conducted; field inspections by the Directorate and inspection of institutions by their respective Heads were not regularly conducted. The Government also failed to set up an institutionalised system of internal audit system, which affected the working of the Department in the key areas of administration, finance and accounting functions.

Recommendations

A system of internal control and internal audit should be put in place in order to effectively oversee the working of the department. Periodical review of expenditure to avoid excess expenditure/ savings should be done.

Findings of Transaction Audit

The audit of financial transactions in various departments of the Government and their field formations revealed instances of losses or wasteful spending over Rs 26.76 crore as mentioned below:

There were instances of infructuous expenditure of Rs 3.33 crore in Housing and Urban Development Department (Rs 3.15 crore) and Water Supply & Sanitation Department (Rs 18.09 lakh).

There was loss or wasteful expenditure of Rs 3.13 crore in Housing and Urban Development Department (Rs 2.03 crore), Irrigation and Power Department (Rs 89.54 lakh) and Agriculture Department (Rs 20.24 lakh).

Unfruitful expenditure of Rs 67.01 lakh was noticed in Education Department.

There was idle investment of Rs 4.20 crore in Rural Development and Panchayats Department (Rs 1.66 crore), General Administration (Rs 1.29 crore), PWD B&R (Rs 82.94 lakh) and Water Supply and Sanitation Department (Rs 41.60 lakh).

The above cases of idle investment included four cases, scrutiny of which revealed a pattern whereby the Government was sanctioning more projects than it was in a position to finance. As a result of spreading its limited resources thin, it failed to finance the works till their completion, rendering the expenditure on incomplete works idle or leading to provision of sub-optimal facilities. Such systemic failure led to blockage of funds amounting to Rs 4.20 crore and also resulted in creation of assets that could not be put to use.

There were cases of excess payment/avoidable expenditure of Rs 2.29 crore in the General Administration Department (Rs 1.99 crore) and Home Department (Rs 30 lakh).

Besides, there were failures due to non-implementation of schemes etc. of Rs 9.26 crore in Health and Family Welfare (Rs 7.17 crore) and Agriculture Department (Rs 2.09 crore).

CHAPTER-I

FINANCES OF THE STATE GOVERNMENT

CHAPTER-I

FINANCES OF THE STATE GOVERNMENT

In Summary

Large revenue and fiscal deficits year after year indicate continued macro imbalances in the State. In Punjab, the revenue deficit which had been rising until 2001-02, declined by 10 *per cent* in 2004-05 as compared to the previous year and the fiscal deficit after rising until 2001-02 (Rs 4,959 crore) declined by 17 *per cent* in 2004-05 (Rs 4,115 crore). The ratio of revenue receipts to total expenditure stood at 76 *per cent* in 2004-05. Overall revenue receipts increased from Rs 9,377 crore in 2000-2001 to Rs 13,807 crore in 2004-05. During the current year, revenue receipts grew by 14 *per cent.* This comprised 13 *per cent* increase in tax revenue and 15 *per cent* increase in non-tax revenue. Around 89 *per cent* of the revenue came from the State's own resources. In fact, Central tax transfers had declined and came down to seven *per cent* in 2004-05 from eight *per cent* during 2000-2001. Grants-in aid also declined from the peak of nine *per cent* in 2000-01 to four *per cent* in 2004-05. Arrears of revenue under the principal revenue heads were Rs 964.85 crore and constituted eight *per cent* of tax and non-tax revenue receipts.

Overall expenditure of the State increased from Rs 13,408 crore in 2000-2001 to Rs 18,056 crore in 2004-05. The rate of growth achieved a peak of 24 *per cent* in 2000-01 and declined thereafter to five *per cent* in 2004-05. In fact, the major burden of curtailment in the growth of total expenditure has been borne by developmental expenditure. The proportion of developmental expenditure in total expenditure declined from 49 *per cent* in 2000-2001 to 44 *per cent* in 2004-05. Revenue expenditure which constituted 95 *per cent* of the total expenditure grew at the rate of 10 *per cent* in 2004-05. Interest payments increased steadily by 70 *per cent* from Rs 2,343 crore in 2000-2001 to Rs 3,981 crore in 2004-05 primarily due to continued dependence on borrowings for financing the fiscal deficit. Interest payments are likely to rise substantially once the moratorium granted by GOI for seven years on repayment and interest on a portion of GOI loans is over in 2007.

The State passed the Fiscal Responsibility and Budget Management Act, in 2003 which provides for a cap on the ratio of the debt to Gross State Domestic Product (GSDP) at the level achieved in the previous year subject to an absolute ceiling of 40 *per cent* to be achieved by 2006-07. Though it is not uncommon for a State to borrow for widening its infrastructure and for creating income generating assets, an ever increasing ratio of fiscal liabilities to GSDP together with a large revenue deficit could lead the State finances into a debt trap. As generation of additional internal resources and curtailment of non-developmental expenditure are the best means available to avoid such a contingency, the Fiscal Responsibility and Budget Management Act, 2003 (FRBMA) is a step in the right direction.

1.1. Introduction

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 Government. The lay out of the Finance Accounts is depicted in box below:

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 2004-05.

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 2005.

Statement No.9 shows the revenue and expenditure under different heads for the year 2004-05 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 2004-05.

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 2004-05.

Statement No.15 depicts the capital and other expenditure to the end of 2004-05 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 2005 and the amount of interest received during the year.

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

1.2. Trend of Finances with reference to previous year

Finances of the State Government during the current year as compared to the previous year were as under:

(Rupees in crore)

2003-04	Sr. No	Major Aggregates	2004-05
12139	**1.**	**Revenue Receipts**	**13807**
6146	2.	Tax Revenue (Net)	6944
4666	3.	Non-Tax Revenue	5358
1327	4.	Other Receipts	1505
105	**5.**	**Non-Debt Capital Receipts**	**134**
105	6.	Of which Recovery of Loans	134
12244	**7.**	**Total Receipts (1+5)**	**13941**
15215	**8.**	**Non-Plan Expenditure**	**16940**
15087	9.	On Revenue Account	16732
3712	10.	Of which Interest Payments	3981
128	11.	On Capital Account	208
86	12.	Of which Loans disbursed	97
1909	**13.**	**Plan Expenditure**	**1116**
615	14.	On Revenue Account	466
1294	15.	On Capital Account	650
671	16.	Of which Loans disbursed	--
17124	**17.**	**Total Expenditure (8+13)**	**18056**
4880	**18.**	**Fiscal Deficit (17-1-5)**	**4115**
3563	**19.**	**Revenue Deficit (9+14-1)**	**3391**
1168	**20.**	**Primary Deficit (18-10))**	**134**

1.3. Summary of Receipts and Disbursements

Table -1 summarises the Finances of the State Government of Punjab for the year 2004-05 covering revenue receipts and expenditure, capital receipts and expenditure and public account receipts and disbursements made during the year as emerging from Statement-1 of the Finance Accounts and other detailed statements.

Table-1

SUMMARY OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2004-2005

(Rupees in crore)

2003-04	Receipts	2004-05	2003-04	Disbursements	2004-05		
	Section-A: Revenue		Total		Non-Plan	Plan	Total
12138.96	**Revenue receipts**	**13807.48**	**15701.92**	**Revenue expenditure**	-	-	**17198.03**
6145.94	Tax revenue	6944.63	9350.90	General services	9845.22	4.82	9850.04
4665.53	Non-tax revenue	5358.03	3367.69	Social Services-	3239.94	295.85	3535.79
754.39	Share of Union Taxes/Duties	902.35	2939.40	Economic Services-	3572.78	164.89	3737.67
573.10	Grants from Govt. of India	602.47	43.93	Grants-in-aid and Contributions	74.53	-	74.53
3562.96	Revenue Deficit carried over to Section B	**3390.55**					
15701.92	**Total**	**17198.03**	**15701.92**	**Total**	**16732.47**	**465.56**	**17198.03**
	Section-B: Capital		--	Opening Overdraft from Reserve Bank of India	193.44	-- -	193.44
390.44	Opening Cash Balance	373.13					
--	Misc. Capital Receipts	-	664.69	Capital Outlay-	111.70	649.70	761.40
105.41	Recoveries of Loans & Advances	133.81	757.54	Loans and Advances Disbursed-	96.80	-	96.80
7144.04	Public debt receipts	6360.59	3562.96	Revenue Deficit brought down	3390.55	-	3390.55
--	Amount transferred to Contingency Fund	-	3239.10[1]	Repayment of Public Debt-	3017.08	-	3017.08[1]
10111.21	Public account receipts	12846.24	9347.12[1]	Public Account disbursements-	11793.57	-	11793.57[1]
193.44	Closing Overdraft from Reserve Bank of India	-	373.13	Cash Balance at end	460.93	-	460.93
17944.54	**Total**	**19713.77**	**17944.54**	**Total**	**19064.07**	**649.70**	**19713.77**
33646.46	**Grand Total**	**36911.80**	**33646.46**	**Grand Total**	**35796.54**	**1115.26**	**36911.80**

1.4. Audit Methodology

Audit observations on the statements of the Finance Accounts for the year 2004-2005 bring out the trends in the major fiscal aggregates of receipts and expenditure and wherever necessary show these in the light of time series data and periodic comparisons. Major fiscal aggregates such as tax and non-tax revenue, revenue and capital expenditure, internal debt and loans and advances have been presented as *percentages* to the GSDP at current market prices. The buoyancy projections for tax revenue, non-tax revenue, revenue expenditure etc., have been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP. The key indicators adopted for the purpose are: (i) Resources by volume and sources, (ii) Application of resources, (iii) Management of deficits and (iv) Assets and liabilities. Audit observations have also taken into account the cumulative impact of resource

1 Public Account transactions do not fall under either Plan or non-Plan category.

mobilisation efforts, debt servicing and corrective fiscal measures. Overall financial performance of the 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.

In addition, this chapter also contains a paragraph on indicators of financial performance of the Government. Some of the terms used here are explained in ***Appendix – I***.

1.5. State Finances by key Indicators

1.5.1. Resources by volume and sources

Resources consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenue, non-tax revenue, State's share of Union Taxes and Duties and Grants-in-aid from the Central Government. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources viz. market loans, borrowings from financial institutions and commercial banks etc. and loans and advances from Government of India as well as accruals from the Public Account. Table-2 shows the total receipts of the Government of Punjab (Rs 33,148 crore) for the year 2004-05, by volume and source. Of these, revenue receipts of the State Government were only Rs 13,807 crore, constituting 42 per cent of the total receipts. The balance of receipts came from borrowings and the Public Account.

Table-2: State Resources

(Rupees in crore)

I.	Revenue Receipts		13807
II.	*Capital Receipts*		*6495*
a.	*Recovery of Loans and Advances*	*134*	
b.	*Debt Receipts*	*6361*	
III.	*Public Account Receipts*		*12846*
a.	*Small Savings and Provident Fund*	*1429*	
b.	*Reserve Fund*	*448*	
c.	*Deposit and Advances*	*1206*	
d.	*Suspense and Miscellaneous*	*9023*[2]	
e.	*Remittance*	*740*	
Total Receipts			*33148*

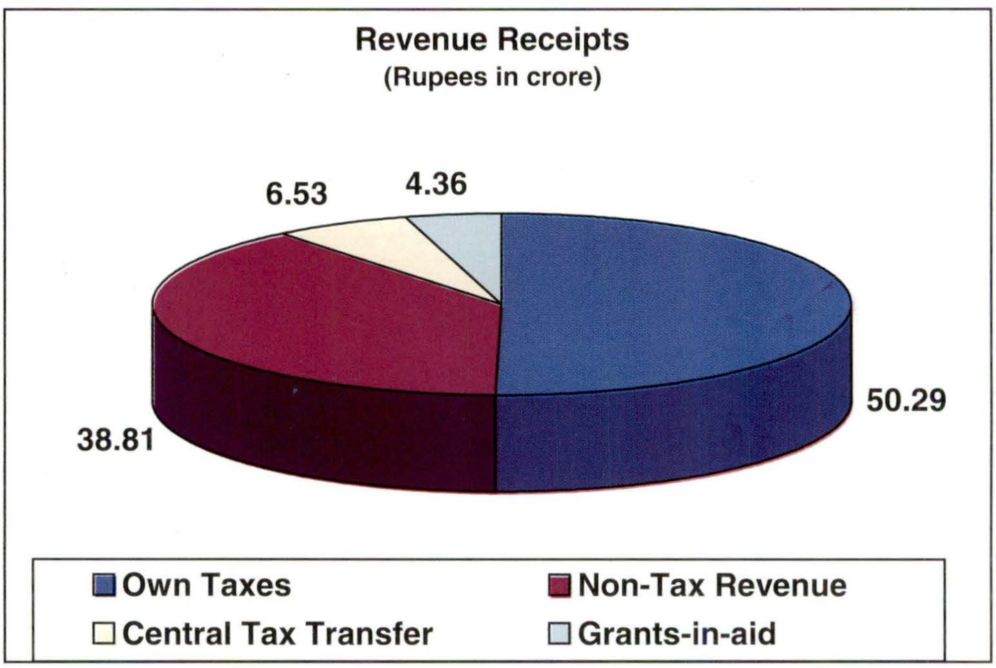
2. Includes Rs 8676.23 crore on account of cheques and bills issued by the Departments other than Public Works Department and Forest Department which have been encashed during the year.

1.5.2. Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts, their annual and trend rate of growth, ratio of these receipts to the GSDP and their buoyancies are indicated in Table-3 below:

Table-3: Revenue Receipts- Basic Parameters (Value: Rupees in crore and others in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue Receipts (in crore of rupees)	9377	8929	11071	12139	13807
Own Taxes	4895(52)	4820(54)	5711(52)	6146(51)	6944(50)
Non-Tax Revenue	2935(31)	2960(33)	4036(36)	4666(38)	5358(39)
Central Tax Transfers	720(8)	611(7)	649(6)	754(6)	903(7)
Grants-in-aid	827(9)	538(6)	675(6)	573(5)	602(4)
Rate of growth of Revenue Receipts	25.56	(-) 4.78	23.99	9.65	13.74
Rate of growth of own taxes	24	(-)2	18	8	13
Revenue Receipts/ GSDP	13.70	11.62	12.83	12.65	12.86
Revenue Buoyancy	2.788	-[3]	1.962	0.859	1.153
Own-Tax Buoyancy	2.62	--[3]	1.51	0.68	1.09
GSDP growth over previous year	9.17	12.29	12.23	11.23	11.92



Revenue receipts of the Government increased from Rs 9,377 crore in 2000-01 to Rs 13,807 crore in 2004-05. There were, however, significant inter year variations in the growth rates. The impressive trend rate of 24 *per cent* achieved during 2002-03 again declined to 14 *per cent* during the year 2004-2005. The pace of rate of growth has shown some improvement as compared to last year. In the category of tax revenue, Sales Tax increased by 15 *per cent* and Stamp and Registration Fees by 32 *per cent*. Twenty nine *per cent* growth in interest receipts (Rs 426 crore) was the main source of increase in the non-tax revenue. The increase in interest receipts Rs 426 crore, however, was

3 Buoyancy not calculated because the rate of growth of revenue receipts was negative.

mainly on account of notional receipts from PSEB towards interest payment. Such notional adjustment does not exhibit the correct situation of State finances and deficit as it leads only to inflated balances on receipts as well as on expenditure side without any net addition. The high receipts under the State Lotteries Rs 2,698.05 crore which increased by 11 *per cent* over the previous year and of Rs 184.68 crore under Transport during the year was, however, neutralised by equally high expenditure of Rs 2,618.97 crore and of Rs 281.38 crore respectively.

Table-4 Sources of Receipts: Trends

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts			Total Receipts	Gross State Domestic Product
		Non-Debt Receipts including Contingency Fund Receipts	Debt Receipts	Public Account Receipts		
2000-01	9377	127	4996	11049	25549	68448
2001-02	8929	875	6681	14171	30656	76860
2002-03	11071	103	6246	11972	29392	86260
2003-04	12139	105	7337	10111	29692	95947
2004-05	13807	134	6361	12846	33148	107384

Around 89 *per cent* of the revenue receipts came from the Government's own resources, Central Tax Transfers and Grants-in-aid together contributed nearly 11 *per cent* of the total revenue receipts. Contribution of Grants-in-aid declined to four *per cent* in 2004-05 from nine *per cent* in 2000-01 and contribution of Central Tax Transfers came down to seven *per cent* in 2004-05 from eight *per cent* during 2000-01.

The arrears of revenue as on 31 March 2005 amounted to Rs 964.85 crore in respect of some principal heads of revenue of which Rs 294.18 crore was outstanding for more than five years. The arrears pertained mainly to Sales Tax (Rs 615.65 crore), Taxes on vehicle (Rs 108.22 crore), Irrigation (Rs 93.28 crore) and Interest receipts (Rs 78.47 crore).

1.6. Application of resources

1.6.1. Trend of Growth

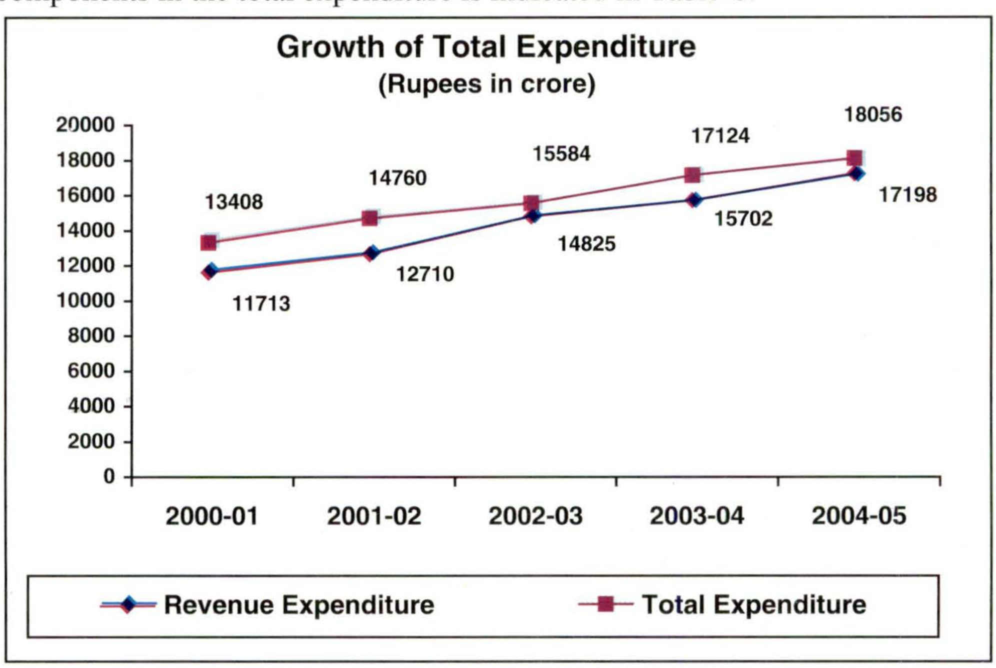
Statement-12 of the Finance Accounts gives the details of expenditure by minor heads. The total expenditure of the State, its trend and annual growth, ratio of expenditure to the GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts are indicated in Table-5 as follows:

Table-5: Total Expenditure –Basic Parameters
(Value: Rupees in crore and others in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05
Total expenditure (TE)	13408	14760	15584	17124	18056
Rate of Growth	24.48	10.08	5.58	9.88	5.44
TE/GSDP Ratio	19.59	19.20	18.07	17.85	16.81
Revenue Receipts/TE Ratio	69.94	60.49	71.04	70.89	76.47
Buoyancy of Total Expenditure with reference to:					
GSDP	2.671	0.820	0.456	0.880	0.457
Revenue Receipts	0.958	-[4]	0.233	1.024	0.396

The total expenditure increased from Rs 13,408 crore in 2000-01 to Rs 18,056 crore in 2004-05. The growth rate has been hovering between six and 10 *per cent* until 2003-04; in the year 2000-01 it was 24 *per cent*. It stood at five *per cent* during 2004-05. Consequently, total expenditure–GSDP ratio has also fallen from around 20 *per cent* in 2000-01 to approximately 17 *per cent* in 2004-05. There was an upward trend in the ratio of revenue receipts to total expenditure from 60 *per cent* in 2001-02 to 76 *per cent* in 2004-05.

In terms of the activities, the total expenditure could be considered as being composed of expenditure on general services including interest payments, social services, economic services and loans and advances. The relative share of these components in the total expenditure is indicated in Table-6:

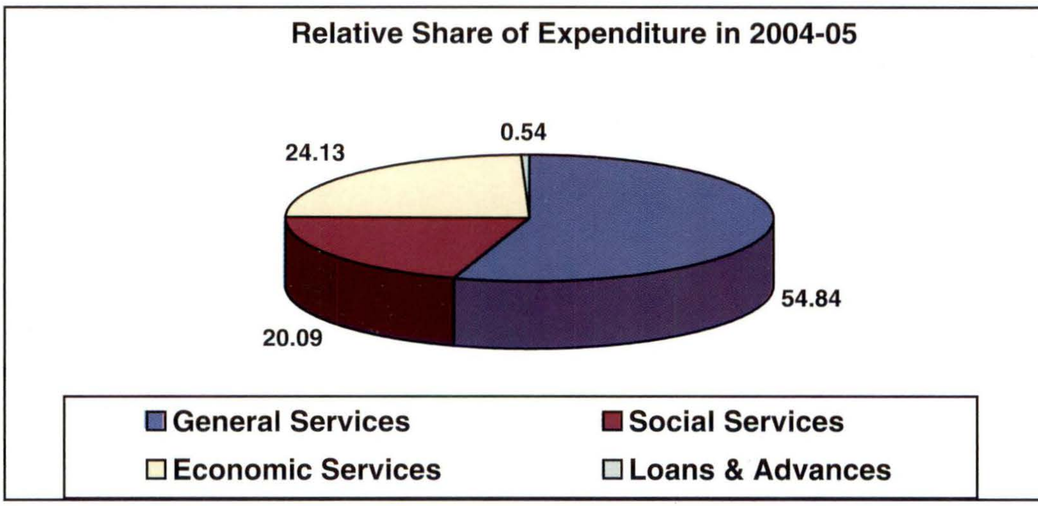


4 Rate of growth of revenue receipt was negative.

Table-6: Components of Expenditure – Relative Share (in *per cent*)[5]

	2000-01	2001-02	2002-03	2003-04	2004-05
General Services[6]	49.03	51.41	58.35	54.72	54.84
Social Services	22.72	21.44	20.82	19.70	20.09
Economic Services	25.34	18.79	17.24	20.91	24.13
Loans & Advances	2.25	7.22	2.18	4.42	0.54

The movement of the relative share of these components of expenditure indicated that while the share of Social Services declined from 23 *per cent* in 2000-01 to 20 *per cent* during 2004-05 and that of loans and advances from seven *per cent* in 2001-02 to less than one *per cent* in 2004-05, the relative share of General Services, which are primarily non-developmental in nature, increased from 49 *per cent* in 2000-01 to 55 *per cent* of the total expenditure in 2004-05. Thus, it is the non-developmental General Services which have gained at the expense of developmental services. Interpreted in this light, reduced expenditure would denote a loss of developmental impetus in the more important areas of governance.



1.6.2. Incidence of Revenue Expenditure

Revenue expenditure had the largest share (95 *per cent*) in total expenditure. Such expenditure is usually incurred to maintain the current level of services and does not represent a significant addition to the State's service network. Revenue expenditure, its rate of growth, the ratio of revenue expenditure to GSDP and revenue receipts are indicated in Table-7:

Table-7: Revenue Expenditure: Basic Ratios

(Value: Rupees in crore and others in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue Expenditure	11713	12710	14825	15702	17198
Rate of Growth	14.89	8.51	16.64	5.92	9.53
RE/GSDP	17.11	16.54	17.19	16.37	16.02
RE as *percentage* of TE	87.36	86.11	95.13	91.70	95.25
RE as *percentage* of Revenue Receipts	124.91	142.35	133.91	129.35	124.56

5 Total expenditure excludes Grants-in-aid and contributions, Compensations and Assignments to Local Bodies and Panchayati Raj Institutions.

6 It includes interest payment.

Revenue expenditure of the State increased from Rs 11,713 crore in 2000-01 to Rs 17,198 crore in 2004-05. The increase in the revenue expenditure during 2004-05 with reference to 2003-04 was mainly due to increase in expenditure on power by Rs 821.26 crore (61 *per cent*), interest payments by Rs 269.18 crore (seven *per cent*) and pension by Rs 125.11 crore (nine *per cent*). Though the ratio of revenue expenditure to revenue receipts declined from 142 *per cent* in 2001-02 to 125 *per cent* in 2004-05, the dependence of the Government on borrowings persisted for meeting its current expenditure

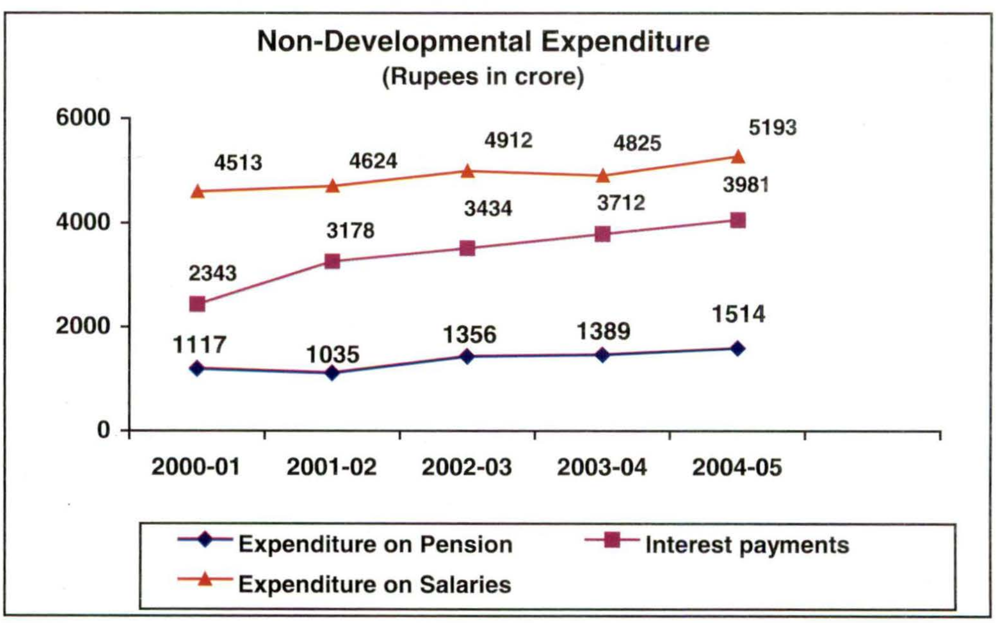
1.6.3. High non-developmental expenditure

Committed expenditure on salaries, pension and interest payments which accounted for 112 *per cent* of the net Revenue Receipts in 2000-01, after touching the peak of 133 *per cent* during 2001-02, again came down to 109 *per cent* during 2004-05. However, it was stated in the budget document for the year 2005-06 that expenditure on salary, pension and interest were likely to be 84.39 *per cent* of the revenue receipts during 2004-05 but that percentage had not been achieved. Reasons therefor were called for (August 2005) from the Government; reply has not been received (December 2005).

Table-8

(Rupees in crore)

Year	Committed expenditure			Total committed expenditure	Revenue Receipts excluding notional receipts	Percentage
	Salaries	Pension	Interest			
	1	2	3	4	5	6
2000-01	4513	1117	2343	7973	7145	111.59
2001-02	4624	1035	3178	8837	6622	133.45
2002-03	4912	1356	3434	9702	7763	124.98
2003-04	4825	1389	3712	9926	8401	118.15
2004-05	5193	1514	3981	10688	9826	108.77



Salary expenditure

Salaries alone accounted for nearly 53 *per cent* of the revenue receipts of the Government (excluding notional receipts from State lotteries and interest receipts from PSEB etc.) during the year. The expenditure on Salaries increased from Rs 4,512.95 crore in 2000-01 to Rs 5,192.99 crore in 2004-05 as shown in Table-9:

Table-9

(Rupees in crore)

Heads	2000-01	2001-02	2002-03	2003-04	2004-05
Salary expenditure	4512.95	4624.45	4912.02	4825.11	5192.99
As *percentage* of GSDP	6.59	6.02	5.69	5..03	4.84
As *percentage* of Revenue Receipts[7]	63.16	69.83	63.27	57.43	52.85

Expenditure on pension payments

Pension payments accounted as much as 15 *per cent* of the revenue receipts (excluding notional receipts from State lotteries and interest receipts from PSEB etc.)of the Government during 2004-05 which increased by 36 *per cent* from Rs 1,117 crore in 2000-01 to Rs 1,514 crore in 2004-05.

Government decided (March 2004) that certain categories of Government employees who are appointed on or after 1 January 2004 shall be covered by the new Defined Contributory Pension Scheme to be notified in due course. Necessary notification was yet to be issued (July 2005).

Interest payments

The Eleventh Finance Commission (EFC) (August 2000) had recommended that as a medium term objective, the States should endeavour to keep interest payments as a ratio to revenue receipts at 18 *per cent.* It was, however, observed that interest payments as *percentage* of revenue receipts were 30 *per cent* on average during the last five years. If revenue receipts excluding notional receipts from State Lotteries and interest receipts from the PSEB only are taken, the ratio of interest payments as *percentage* of revenue receipts would sharply rise to 41 *per cent* on average as indicated in Table-10.

In absolute terms, interest payments increased steadily by 70 *per cent* from Rs 2,343 crore in 2000-01 to Rs 3,981 crore in 2004-05 primarily due to continued reliance on borrowings for financing the fiscal deficit. The State Government raised Rs 1,830.69 crore from open market at a weighted average rate of 6.37 *per cent* and it borrowed Rs 3,641 crore from the National Small Savings Fund and Rs 548 crore from Government of India during the year.

7 Does not include notional receipts from State Lotteries (Rs 2619 crore) and interest receipts from PSEB (Rs 1362 crore).

Table-10

Year	Total Revenue Receipts	Revenue Receipts excluding Notional Receipts	Interest Payment	*Percentage* of Interest payment with reference to			Revenue Expenditure[8]
	(*Rupees in crore*)			Total Revenue Receipts	Revenue Receipts excluding Notional Receipts	Revenue Expenditure[7]	(*Rupees in crore*)
2000-01	9377	7145	2343	25	33	25	9481
2001-02	8929	6622	3178	36	48	31	10403
2002-03	11071	7763	3434	31	44	30	11517
2003-04	12139	8401	3712	31	44	31	11964
2004-05	13807	9826	3981	29	41	30	13217

The growth in interest payments is, however, understated due to the moratorium granted by GOI for the period 2000-05 (extended up to 2006-07) on repayment and interest on a portion of GOI Special Term Loans which after availing debt relief and waiver stood at Rs 3,772 crore as on 31 March 2000. Ever increasing interest payments had adversely affected both developmental expenditure and social welfare schemes.

1.7. Expenditure by Allocative Priorities

1.7.1. The actual expenditure of the State in the nature of plan expenditure, capital expenditure and developmental expenditure reflected in Statement-12 of the Finance Accounts reflects the allocative priorities of the State. Higher the ratio of these components to total expenditure, the better is the efficiency of the State apparatus. Table-11 below gives the ratio of these components of expenditure to the State's total expenditure.

Table-11 Quality of expenditure

(*per cent* to total expenditure[9])

	2000-01	2001-02	2002-03	2003-04	2004-05
Plan Expenditure	11.64	13.27	10.53	7.56	6.21
Capital Expenditure	10.63	7.19	2.76	4.06	4.24
Developmental Expenditure	49.16	43.37	38.90	42.49	44.46

Outlay on Power Projects (Rs 72 crore) accounted for nearly 11 *per cent* of the plan expenditure of Rs 650 crore under capital outlay while transport with outlay of Rs 123 crore (19 *per cent*) was the other major head involving significant expenditure under plan capital outlay in 2004-05.

There was also a decline in the share of developmental expenditure from 49 *per cent* in 2000-01 to 44 *per cent* in 2004-05. Out of the developmental expenditure during the year, Social Services (Rs 3,628 crore) accounted for 45 *per cent*.

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8 Excluding expenditure under State Lotteries and subsidy paid to the PSEB against the interest due from PSEB.

9 Total expenditure does not include Loans and Advances.

1.7.2. Financial Assistance to local bodies and other institutions

The quantum of assistance provided to different local and autonomous bodies etc., during the period of five years ending 2004-05 was as follows:

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Universities and Education Institutions	241.72	151.49	234.01	193.88	245.81
Municipal Corporations and Municipalities, Zila Parishads and Panchayati Raj Institutions	20.29	14.40	16.84	-	-
Cooperative Societies and Cooperative Institutions	--	0.29	0.51	0.80	-
Other Institutions	95.38	203.99	111.50	21.27	106.18
Total	**357.39**	**370.17**	**362.86**	**215.95**	**351.99**
Percentage of growth over previous year	(-)5	4	(-)2	(-) 40	63
Assistance as per *percentage* of revenue expenditure	3	3	2	1	2

Accounts for the year 2002-03 and 2003-04 relating to the Punjab Khadi and Village Industries Board, Chandigarh and for the year 2003-04 relating to the Punjab Scheduled Caste Land Development and Finance Corporation, Chandigarh were in arrears. Utilisation certificates of Rs 501.84 crore in respect of 619 cases are still awaited from various Local/ Autonomous bodies (July 2005).

1.7.3. Misappropriation, losses and defalcation etc.

Cases of misappropriations, defalcations etc. of Government money reported to Audit between April 1997 and March 2005 which were still under departmental investigation or where criminal prosecutions were outstanding at the end of March 2005 were as follows:

(Rupees in lakh)

	No. of cases	Amount
Outstanding cases reported between April 1997 to March 2004	127	22.55
Cases reported between April 2004 to March 2005	40	9.23
Total	167	31.78
Less cases finalized during the year 2004-05	17	2.07
Cases outstanding at the end of March 2005	150	29.71

Out of 150 cases, 148 cases involving Rs 19.44 lakh pertain to the Police Department and one case of Rs 10 lakh pertains to the Revenue and Rehabilitation Department. One hundred ten cases are outstanding for more than one year.

1.8. Assets and Liabilities

1.8.1. The Government accounting system does not attempt a comprehensive accounting of fixed assets, i.e. land, buildings etc., owned by the Government. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure. Statement-16 and the details in Statement-17 of the Finance Accounts show the year-end balances under the Debt, Deposit and Remittance heads from which the liabilities and assets are worked out. ***Appendix-II*** presents an abstract of such liabilities and the assets as on 31 March 2005, compared with the corresponding position as on 31 March 2004.

The liabilities as per ***Appendix-II*** mainly comprise money owed by the State Government such as internal borrowings, loans and advances from the Government of India, Small Savings, Provident Funds, Deposits and the Reserve Fund. The liabilities of the Government of Punjab depicted in the Finance Accounts, however, do not include the pension and other retirement benefits payable to the serving and retired State employees. During 2004-05, the liabilities grew by 10 *per cent.*

Similarly, the assets comprise mainly the capital expenditure and loans and advances given by the State Government and these grew by four *per cent* during 2004-05. ***Appendix-III*** depicts the time series data on State Government Finance for the period 2000-2005.

1.8.2. Financial results of irrigation works[10]

Statement-3 of the Finance Accounts depicts the financial results of nine major irrigation projects with a capital expenditure of Rs 259.24 crore at the end of March 2005, which showed that revenue realised from these projects during 2004-05 (Rs 9.79 crore) was only four *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 303.05 crore) and interest charges (Rs 2.57 crore), the schemes suffered a net loss of Rs 295.83 crore.

1.8.3. Incomplete Projects[11]

As of 31 March 2005, there were ten projects which were incomplete, in which Rs 881.89 crore were blocked. Of these, one project[12] was incomplete for more than 22 years (Rs 738 crore) due to water dispute with Haryana.

1.8.4. Investment and returns

As on 31 March 2005, the Government had invested Rs 3,545 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Cooperatives. The Government's return on this investment was meagre as indicated in Table-12 below. As of March 2005, 18 out of 33 Statutory Corporations and Government Companies with an aggregate investment of Rs 3,263.09 crore were running at a loss and the accumulated losses were Rs 2,534.77 crore (***Appendix-IV***) as per accounts furnished by these companies.

10 Refer Finance Accounts 2004-05: Statement No.3.

11 Refer Finance Accounts 2004-05 Annexure to Statement-2.

12 SYL Canal Project Rs 738 crore.

Table-12: Return on Investment

(Rupees in crore)

Year	Investment at the end of the year	Return	*Percentage* of return	Rate of interest on Government Borrowing (in *per cent*)
2000-01	2335.14	2.33	0.10	8.72
2001-02	2346.28	1.09	0.05	10.11
2002-03	2352.28	0.91	0.04	9.51
2003-04	2359.00	1.82	0.077	9.11
2004-05	3544.81	0.59	0.017	8.79

1.8.5. Loans and advances by the State Government

The Government gives loans and advances to Government Companies, Corporations, Local bodies, Autonomous bodies, Cooperatives, Non-Government institutions etc. The details below show that recoveries were poor during 2000-01 and 2002-05.

Table-13

Average Interest Received on Loans Advanced by the State Government

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Opening balance	4795	4970	5150	5386	5718[13]
Proforma adjustment	-	- 14[14]	-	-	
Amount advanced during the year	302	1066	339	757	97
Amount repaid during the year	127	872	103	105	134
Closing balance	4970	5150	5386	6038	5681
Net addition	175	194	236	652	-37
Interest received	618	459	817	1368	1863
Interest received as *per cent* to Loans advanced	12.66	9.06	15.51	23.95	32.69
Average interest paid by the State *(per cent)*	8.72	10.11	9.51	9.11	8.79
Difference between Interest paid and received *(per cent)*	(+)3.94	(-)1.05	(+)6.00	(+)14.84	(+)23.90

The table shows that the interest receipts were erratic. This was mainly due to adjustment of interest payable by PSEB to Government against subsidy payable to them by Government. In 2004-05, against the subsidy payable an amount of Rs. 1,362 crore was notionally received as interest from PSEB.

13 Differs by Rs 320 crore (decreased) from the closing balance adopted in the Finance Accounts 2003-04 due to conversion of loans into equity.

14 Decreased by Rs 13.49 crore from closing balances of 2000-01 due to proforma correction.

Position of some of the outstanding loans was as under:-

(Rupees in crore)

Sr. No.	Name of agency to whom loan was given	Year of loan/ sanction	Amount of loan	Remarks
1.	Punjab State Electricity Board	up to 2004-05	4284.68	No reasons intimated
2.	Punjab State Housing Board (now PUDA)	---	33.67	-do-
3.	Punjab Financial Corporation	Prior to 1998-99	14.89	-do-
4.	Punjab State Agro Industries Corporation	1996-97	0.42	-do-
		1997-98	12.50	
		---	0.02	
5.	Punjab State Tube Well Corporation	1990-91 to 1998-99	250.58	-do-
		---	265.48	
6.	SPINFED	1998-99 to 2003-04	23.49	-do-
7.	SUGARFED	2000-01 to 2002-03	124.80	-do-
8.	MARKFED	1990-91	1.86	-do-
9.	PUNSUP	1987-88 to 1988-89	74.39	-do-
	Total		**5086.78**	

The Administrative Departments are required to intimate to the Accountant General (A&E) by the 10th of August each year the arrears in recovery of principal and interest for the loans, the detailed accounts of which are maintained by the departmental officers. Against 151 statements relating to 2004-05 due from 20 departmental officers, none had been received so far (June 2005). A major portion (Rs 4,285 crore) of the outstanding related to loans for power projects against which repayment during the year 2004-05 was negligible[15].

Rs 136.21 crore (Principal: Rs 28.40 crore and interest: Rs 107.81 crore) were outstanding against Municipal Corporations and Municipalities on account of non-repayment of loans advanced as far back as 1963-64 as shown as follows:

[15] Rs 30.62 crore.

Borrower/purpose of loans	Earliest year from which in default	Amount due on 31 March 2005	
		Principal	Interest
		(in lakh)	
(A) Municipal Corporations, Municipalities and other Local Funds (a) Sanitation Schemes	1967-68	160.62	203.14
(b) Sewerage Schemes	1963-64	110.33	376.24
(c) Water Supply Schemes	1964-65	632.58	1047.33
(d) Integrated city development Programmes	1967-68	400.42	1744.75
(e) Shopping centres, cinemas etc.	1969-70	9.11	17.20
(f) Preparation and distribution of town compost	1965-66	14.27	7.17
(g) Other purposes	1963-64	1507.49	7383.35
(B) Loans to rulers of erstwhile states	1965-66	5.23	1.58
Total		**2840.05**	**10780.76**

No reasons for non-repayment of these outstanding amounts were furnished by the Government or the Directorate, Local Self Government, Punjab (December 2005).

Commercial Activities

1.8.6. Lack of accountability for the use of public fund in Departmental Commercial Undertaking

Activities of quasi-commercial nature are performed by departmental undertakings in some Government departments. These undertakings are required to prepare proforma accounts in the prescribed form annually showing therein the results of operations undertaken so that the Government can assess the status of their working. The Head of Departments in the Government are to ensure that the undertakings which are funded by budgetary release, prepare the accounts in time and submit the same to the Accountant General for audit.

The State Government had invested Rs 42 crore in Punjab Roadways till 1996-97 up to which their accounts were finalised. Audit for the year 1996-97 revealed that the Roadways had suffered a loss of Rs 55.14 crore during the year which accumulated to Rs 420.51 crore till the end of the year ending March 1997. Thereafter the annual proforma accounts upto the year 2004-05 (eight years) were not submitted for audit. The progressive figures of investment upto the year 2004-05 were Rs 88.33 crore. Reasons for delay in submission of proforma accounts have not been intimated by the department (June 2005).

1.8.7. Management of Cash Balances

It is generally desirable that the State's flow of resources matches its expenditure obligations that arise from time to time. However, to take care of any temporary mismatches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from the RBI is in place. Under an agreement with the RBI, the State Government has to maintain with the bank a minimum balance of Rs 1.56 crore on all days. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ways and means advances or overdraft from the Reserve Bank. However the State has been increasingly using this mechanism over the years. Normally, these advances should be liquidated during the year. Any outstanding balances of WMA indicate mismatch between the revenue and the expenditure, which is not transient in nature. Resort to overdraft, which is over and above the WMA limits, is all the more undesirable. As may be seen from the Statement-7 along with details in Statement-17 of the Finance Accounts, the State has increasingly been drawing in excess of its WMA limits from RBI.

Table-14: Ways and Means and overdrafts of the State and Interest paid thereon

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Ways and Means Advances					
Taken in the Year	2170.77	1976.61	3127.90	2773.84	3065.82
Outstanding	243.42	221.42	185.79	261.83	283.30
Interest paid	6.83	8.73	9.45	12.29	9.69
Overdraft					
Taken in the Year	1600.10	3826.70	640.74	1811.06	1316.70
Outstanding	48.37	196.36	Nil	193.44	Nil
Interest paid	2.38	4.50	1.43	1.84	2.04
Number of Days State was in Overdraft	107	119	53	134	117

During the year 2004-05, the Government obtained Rs 3,065.82 crore as ways and means advances on ninety occasions. An amount of Rs 3,044.35 crore was repaid leaving a balance of Rs 283.30 crore. Rs 9.69 crore was paid as interest on these advances. The dependence on ways and means advances during the year increased by 11 *per cent* over the previous year.

1.8.8. Fiscal liabilities – Public Debt and Guarantees

The Constitution of India provides that the 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 an Act of Legislature. The FRBMA 2003 of Punjab aims to cap the ratio of debt to GSDP at 40 *per cent* to be achieved by 2006-07.

Statement-4 read with Statements-16 and 17 of the Finance Accounts shows the year-end balances under the Debt, Deposit and Remittance heads from which the liabilities are worked out. It would be observed that the fiscal liabilities of the State increased from Rs 28,957 crore at the end of 2000-01 to Rs 47,403 crore at the end of 2004-05 at an average annual rate of 14 *per cent.* Table-15 below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources and the buoyancy of these liabilities with respect to these parameters.

Table-15: Fiscal Liabilities - Basic Parameters
(Value: Rupees in crore and others in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05
Fiscal Liabilities	28957	33921	38315	43197	47403
Rate of Growth	16.74	17.14	12.95	12.74	9.74
Ratio of Fiscal Liabilities to					
GSDP	42.3	44.1	44.4	45.02	44.14
Revenue Receipts	308.8	379.9	346.1	355.85	343.33
Own Resources	369.8	436.0	393.1	399.53	385.30
Buoyancy of Fiscal Liabilities with respect to					
GSDP	1.826	1.395	1.059	1.135	0.817
Revenue Receipts	0.655	(-) 3.588	0.540	1.321	0.709
Own Resources	0.694	(-)26.845	0.512	1.166	0.707

The ratio of fiscal liabilities to GSDP increased from 42 *per cent* in 2000-01 to 44 *per cent* in 2004-05 and stood at 3.43 times of its revenue receipts. In addition to these liabilities, the Government had guaranteed loans availed of by its Corporations and others which in 2004-05 stood at Rs 8,885 crore. The guarantees are in the nature of contingent liabilities of the State and in the event of non-payment by the borrowers, the State has to honour these commitments.

Increasing liabilities raise the issue of their sustainability. Fiscal liabilities are considered sustainable if the average interest paid on these liabilities is lower than the rate of growth of GSDP. In case of Punjab, the weighted interest rate on fiscal liabilities at 8.79 *per cent* during 2004-05 was lower than the rate of growth of GSDP by three *per cent* as indicated in Table-16 as follows:

Table-16: Debt Sustainability–Interest Rate and GSDP Growth
(in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05
Weighted Interest Rate	8.72	10.11	9.51	9.11	8.79
GSDP Growth	9.17	12.29	12.23	11.23	11.92
Interest spread	0.45	2.18	2.72	2.12	3.13

Another important indicator of debt sustainability is the net availability of funds after payment of the principal on account of the earlier contracted liabilities and interest. Table-17 below gives the position of the receipt and repayment of internal debt over the last five years. The net funds available on account of the internal debt and loans and advances from Government of India after providing for the interest and repayments declined from 38 *per cent* during 2000-01 to four per cent during 2004-2005.

Table-17: Net Availability of Borrowed Funds

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Internal Debt[16]					
Receipt	4364	5719	5827	6795	5813
Repayment (Principal+Interest)	1466	2701	2365	2269	3054
Net Fund Available	2898	3018	3462	4526	2759
Net Fund Available (*per cent*)	66.4	52.8	59.4	66.61	47.46
Loans and Advances from GOI[16]					
Receipt	374	531	419	542	548
Repayment (Principal+Interest)	1481	1538	2623	3944	3051
Net Fund Available	(-) 1107	(-) 1007	(-)2204	(-)3402	(-) 2503
Net Fund Available (*per cent*)	(-)295.9	(-) 189.6	(-)526.01	(-)627.68	(-) 456.75
Total Public Debt					
Receipt	4738	6250	6246	7337	6361
Repayment (Principal+Interest)	2947	4239	4988	6213	6105
Net Fund Available	1791	2011	1258	1124	256
Net Fund Available (*per cent*)	37.8	32.2	20.14	15.32	4.02

During the year, the State repaid loans and advances from GOI after borrowing funds from the open market at the weighted average rate of 6.37 *per cent.* As a result, the net availability of funds was reduced to four *per cent* from 15 *per cent* in the previous year. However, 32 *per cent* of the existing market loans of the State Government carried interest rate exceeding 10 *per cent.* The effective cost of borrowing of their past loans, as such, is much higher than the rate at which the State is able to raise resources at present from the market.

The measures being taken to stem the growth of debt viz. to put a cap on debt, phased reduction of debt, strict control on expenditure and cap on short term debt proved insufficient as the fiscal liabilities of the State increased by 64 *per cent* from Rs 28,957 crore in 2000-01 to Rs 47,403 crore in 2004-05.

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16 Net Ways and Means Advances and Overdrafts from Reserve Bank of India included.

1.9. Management of deficits

1.9.1. *Fiscal Imbalances*

The deficit in the Government account 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 used are important pointers to the fiscal health of the Government.

The revenue deficit of the State increased from Rs 2,336 crore in 2000-01 to Rs 3,391 crore in 2004-05. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, increased from Rs 3,904 crore in 2000-01 to Rs 4,115 crore in 2004-05 as indicated in Table – 18.

Table-18 Fiscal Imbalances: Basic Parameters
(Value: Rupees in crore and Ratios in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue deficit	2336	3781	3754	3563	3391
Fiscal deficit	3904	4959	4410	4880	4115
Primary deficit	1561	1781	976	1168	134
RD/GSDP	3.41	4.92	4.35	3.71	3.16
FD/GSDP	5.70	6.45	5.11	5.09	3.83
PD/GSDP	2.28	2.32	1.13	1.22	0.12
RD/FD	59.84	76.25	85.12	73.01	82.41

The ratio of revenue deficit to fiscal deficit was 60 *per cent* during 2000-01 which increased to 82 *per cent* in 2004-05 with inter year variations. As a proportion to GSDP, though the revenue deficit remained almost steady and the fiscal deficit was reduced to four percent in 2004-05, the revenue and fiscal deficits year after year have corroded the financial health of the State. The FRBMA aims at containing the rate of growth of fiscal deficit to two *per cent* per annum in nominal terms until the fiscal deficit is brought down to three *per cent* of GSDP. During the year 2004-05 FD/GSDP ratio was 3.83 *per cent.*

Recommendations of Eleventh Finance Commission

1.9.2. *Medium Term Fiscal Reforms Programme (MTFRP)*

The Eleventh Finance Commission (EFC) in its report (August 2000) lays down broad parameters of fiscal correction in the State sector. Each State was required to draw up an MTFRP to achieve the objective of zero revenue deficit. The MTFRP should form the basis of a Memorandum of Understanding (MOU) entered into between the State and the Ministry of Finance. Further, the EFC recommended an Incentive Fund from which grants were to be released to the States based on their fiscal programme. On the basis of the recommendations of the EFC, the GOI created the Fiscal Reforms Facility (2000-01 to 2004-05) to motivate the States to undertake

MTFRP. Release from the incentive fund was to be based on achieving a minimum improvement of five *percentage* points in the revenue deficit as a proportion to its revenue receipts each year till 2004-05 over the base year 1999-2000.

The State Government formulated its MTFPR in March 2003 and an MOU was signed with GOI in July 2003. However, no funds were released by GOI during 2004-05 out of the said fund because the State Government failed to comply with the MOU stipulations.

Further, the revenue deficit as a proportion of revenue receipts was to be reduced by five *percentage* points each year from 1999-2000 base year. Accordingly, the revenue deficit of 37 *per cent* during 1999-2000 should have been restricted to 22 *per cent*, 17 *per cent,* and 12 *per cent* of revenue receipts during 2002-03, 2003-04 and 2004-05 respectively. However, it remained much above the limit[17] specified in the MOU.

1.10. Guarantees given by the State Government

1.10.1. The year-wise position of maximum amount for which guarantee was given by the State Government to the end of March 2005 was as under:

(Rupees in crore)

Year	Maximum amount guaranteed	Outstanding amount of guarantees		*Percentage* of maximum amount of guarantee to total revenue
		Principal	Interest	
2000-2001	7331	8868	122	78
2001-2002	10244	10244	340	115
2002-2003	17720	13255	479	160
2003-2004	22951	12149	93	189
2004-2005[18]	23420	8781	104	170

The amount of outstanding guarantees (Rs 8,885 crore) was 64 *per cent* of the revenue receipts (Rs 13,807 crore) whereas the maximum amount guaranteed during 2004-05 stood at 170 *per cent* of the revenue receipts of the State Government.

1.10.2. Non-maintenance of records

The Finance Department or the Administrative departments concerned did not maintain any consolidated record of the guarantees given by the Government and collection of guarantee fee. The Finance Department collects information of guarantees from the loanee institutions through the Administrative Departments for incorporation in the Finance Accounts. They did not maintain any record of whether a Corporation/Body has made payment of guarantee fee to the Government in accordance with rate as laid down in the sanction by the competent authority. Thus, the correctness of the figures

17 34 *per cent* (2002-03), 29 *per cent* (2003-04) and 25 *per cent* (2004-05).

18 Refer Finance Account 2004-05: Statement No. 6.

of guarantees could not be verified in audit. This indicated lack of effective control and monitoring of the guarantees given by the State Government.

1.10.3. Non-recovery of guarantee fee

In consideration of the guarantees given by the Government, guarantee fee is charged by it. Loans are to be raised only from financial institutions, after the guarantee fee is deposited by the concerned borrower. Cases of outstanding guarantee fees are given in table as follows:

(Rupees in crore)

Sr.No.	Name of Corporation/ Company/Board etc.	Amount of loan availed	Period	Amount of guarantee fee payable
1.	Punjab State Container & Warehousing Corporation	70.00	7/98 to 4/2003	1.40
2.	Punjab State federation of Co-operative House Building Societies (Housefed)	20.83	3/89	0.42
3.	Punjab Financial Corporation	34.25	6/88 to 12/92	0.69
4.	Punjab Road & Bridges Development Board	90.10	3/99	1.80
5.	Punjab Urban Planning and Development Authority	46.64	2/2003	0.93
6.	Punjab Water Supply and Sewerage Board	180.18	1978-79 to 2003-04	6.79
7.	Punjab Mandi Board	30.00	3/2005	4.00
8.	Punjab Infrastructure Development Board	309.27	3/01	6.19
9.	Punjab State Industrial Development Corporation	734.36	Up to March 2005	14.69
	TOTAL			36.91

1.10.4. Guarantees to loss making units

Government had given guarantees for loss making units. A few such institutions are listed below:

(Rupees in crore)

Sr. No.	Name of institutions	Outstanding guarantees (Principal) as on 31 March 2005	Loss incurred	
			Amount	Upto the year
1.	Punjab Financial Corporation	195.73	237.92	2003-04
2.	Punjab State Industrial Development Corporation	526.39	316.68	2002-03
3.	PUNSUP	649.28	488.88	2003-04
4.	Punjab State Electricity Board	2968.92	708.38	2002-03
5.	Punjab Bus Stand Management Company	16.62	8.38	1998-99

Inspite of these heavy losses, grant of guarantees to these units led to the risk of invocation to be faced entirely by Government if there were to be non-payment of interest and principal. The matter was reported (July 2005) to the Government. Reply was awaited (August 2005).

1.11. Conclusion

The finances of the State continued to be under stress during 2004-05 and revenue receipts were not keeping pace with revenue expenditure. The revenue receipts were totally consumed by the committed expenditure of State viz. salaries, pensions and interest payments. Although the revenue deficit decreased marginally from Rs 3,563 crore in 2003-04 to Rs 3,391 crore in 2004-05, the continuous application of borrowed funds largely to current consumption and debt servicing indicated increased unsustainability and vulnerability of the State finances. It is not uncommon for a State to borrow for increasing its social and economic infrastructure support and creating additional income generating assets. However, the increasing ratio of fiscal liabilities to GSDP together with a large revenue deficit indicated that the State was gradually getting into a debt trap. Similarly, the higher buoyancy of debt both with regard to its revenue receipts and own resources indicated its increasing unsustainability. The State's high cost borrowing for investments, which yielded very little return, indicated an implicit subsidy. Thus, the State has either to generate more revenues from out of its existing assets or needs to provide from its current revenue for servicing its debt obligations. The FRBMA 2003 was a step in the right direction but the commitments made therein still remained to be fulfilled by the State Government. The target of reduction in revenue deficit as percentage of total revenue receipts, by at least five percentage points, from the previous year was not achieved. Only through reducing revenue and fiscal deficit by compressing non-developmental revenue expenditure in a time bound manner coupled with prudent debt management, can the State achieve long term fiscal stability.

CHAPTER-II

APPROPRIATION AND CONTROL OVER EXPENDITURE

CHAPTER-II

APPROPRIATION AND CONTROL OVER EXPENDITURE

2.1. Introduction

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

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

2.2. Summary of Appropriation Accounts

The summarised position of actual expenditure during 2004-2005 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	15224.93	51.98	15276.91	13628.04	(-) 1648.87
	II. Capital	2755.63	423.19	3178.82	891.13	(-) 2287.69
	III. Loans & Advances	19.20	2.35	21.55	19.23	(-) 2.32
Total Voted		**17999.76**	**477.52**	**18477.28**	**14538.40**	**(-) 3938.88**
Charged	V. Revenue	3908.18	6.19	3914.37	4017.17	(+) 102.80
	VI. Capital	-	-	-	-	-
	VII. Public Debt	8440.13	-	8440.13	7571.57	(-) 868.56
Total Charged		**12348.31**	**6.19**	**12354.50**	**11588.74**	**(-) 765.76**
Grand Total		**30348.07**	**483.71**	**30831.78**	**26127.14**	**(-) 4704.64**

Note: - ***The expenditure includes the recoveries adjusted as reduction of expenditure under revenue expenditure Rs 447.18 crore and capital expenditure Rs 52.16 crore.***

The overall savings of Rs 4,704.64 crore as mentioned above were the net result of savings of Rs 5,100.15 crore in 71 cases and appropriations offset by excess of Rs 395.51 crore in five 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 2005).

2.3. Savings and Excesses

2.3.1. Appropriation by Allocative Priorities

Out of the savings of Rs 4,704.64 crore, as much as 84.18 *per cent* (Rs 3,960.50 crore) occurred in 11 grants as mentioned below:

(Rupees in crore)

Grant No.	Original	Supplementary	Total Grant	Actual Expenditure	Saving
01-Agriculture & Forests - Revenue (Voted)	388.79	0	388.79	299.49	89.30
05-Education - Revenue (Voted)	2715.74	0	2715.74	2096.78	618.96
05-Education - Capital (Voted)	179.87	0	179.87	16.16	163.71
08-Finance - Capital (Charged)	8440.13	0	8440.13	7571.57	868.56
09-Food & Supplies – Capital (Voted)	223.40	0	223.40	0	223.40
11-Health & Family Welfare - Revenue (Voted)	780.51	0	780.51	614.60	165.91
13-Industries - Revenue (Voted)	78.68	0	78.68	23.64	55.04
15-Irrigation & Power - Revenue (Voted)	2942.28	10.12	2952.40	2651.31	301.09
17-Local Government, Housing & Urban Development - Revenue (Voted)	92.67	0	92.67	32.60	60.07
17-Local Government, Housing & Urban Development - Capital (Voted)	215.23	77.14	292.37	70.56	221.81
19-Planning – Revenue (Voted)	292.74	0	292.74	75.23	217.51
19-Planning – Capital (Voted)	282.40	0	282.40	22.97	259.43
21-Public Works – Capital (Voted)	470.91	184.39	655.30	129.41	525.89
23-Rural Development & Panchayats – Revenue (Voted)	215.80	0	215.80	96.64	119.16
23-Rural Development & Panchayats - Capital (Voted)	127.58	99.54	227.12	156.46	70.66
Total	**17446.73**	**371.19**	**17817.92**	**13857.42**	**3960.50**

The Departments did not intimate reasons for savings. Areas in which major savings occurred in these 11 grants are given in ***Appendix- V***.

2.3.2. Substantial savings in grant/appropriation

In 21 cases, savings exceeding Rupees two crore in each case and also by more than 10 *percent* of total provisions, amounted to Rs 126.97 crore as indicated in ***Appendix-VI***. In 17[1] of these cases, the entire provision totalling Rs 114.95 crore was not utilised.

2.3.3. Persistent savings

In 19 cases, involving nine grants/appropriations, there were persistent savings of more than Rupees five crore in each case and 20 *per cent* or more of

1 Item No. 2 to 7,10 to 18, 20, 21 in Appendix-VI.

provision. Details are given in ***Appendix-VII***. Under eight Centrally Sponsored Schemes, there were savings of 100 *per cent* during the last three years.

2.3.4. Original budget and supplementary provisions

Supplementary provisions (Rs 483.71 crore) made during this year constituted 1.59 *per cent* of the original provision (Rs 30,348.07 crore) as against 7.15 *per cent* in the previous year.

2.3.5. Unnecessary/excessive/inadequate supplementary provisions

Supplementary provisions of Rs 361.81 crore made in 18 cases during the year proved unnecessary in view of aggregate saving of Rs 1,765.86 crore. Details are given in ***Appendix-VIII***.

In five cases, against additional requirement of only Rs 35.17 crore, supplementary grants and appropriations of Rs 113.41 crore were obtained, resulting in savings in each case exceeding Rupees 10 lakh, aggregating Rs 78.24 crore. Details are given in ***Appendix-IX***.

As mentioned below, supplementary provision of Rs 5.70 crore proved insufficient leaving an uncovered excess expenditure of Rs 230.45 crore.

Sr No.	No. and name of Grant/Appropriation	Original Grant	Supplementary grant	Total	Expenditure	Excess
						(Rupees in crore)
Revenue (Voted)						
1.	21-Public Works.	662.70	5.70	668.40	898.85	230.45

2.3.6. 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 2004-05, there were 28 cases in which savings above Rupees one crore in each case amounting to Rs 3,106.74 crore had not been surrendered. In 17 cases, even after partial surrender, savings of Rupees one crore and above in each case aggregating to Rs 1,465.68 crore (88.25 *per cent* of total savings) were not surrendered. This included savings of Rs 615.92 crore (99 *per cent*) under Grant No. 5 – Education, (Revenue-voted), Rs 217.19 crore (99.8 *per cent*) under Grant No. 19 – Planning, (Revenue-voted), Rs 160.76 crore (96.9 *per cent*) under Grant No. 11-Health and Family Welfare, (Revenue-voted) and Rs 74.89 crore (83.9 *per cent*) under Grant No. 01-Agriculture and Forests (Revenue Voted). Details are given in ***Appendix-X and XI*** respectively.

2.3.7. 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 870.54 crore for the years 2001-02 to 2003-04 had not been got regularised so far (August 2005). 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
Total			**870.54**	

2.3.8. Excess expenditure over provisions of 2004-05 requiring regularisation

The excess of Rs 395.52 crore involving three grants and appropriations during the year requires regularisation under Article 205 of the Constitution. Details are given as follows:

Sr.No.	No. and name of Grant/appropriation	Total Grant/ appropriation	Actual expenditure	Excess
		Amount in crore		
Revenue (Voted)				
1.	08-Finance	4154.11	4209.38	55.27
2.	21-Public Works	668.40	898.85	230.45
Revenue (Charged)				
3.	08-Finance	3872.12	3981.50	109.38
4.	12-Home Affairs & Justice	14.83	15.23	0.40
5.	26-State Legislature	0.29	0.31	0.02
	TOTAL	**8709.75**	**9105.27**	**395.52**

Reasons for the excesses had not been furnished by the Government as of August 2005.

2.3.9. Persistent excesses

Significant excesses were persistent in 12 cases involving three grants as detailed in ***Appendix-XII.*** Persistent excesses require investigation by the Government.

2.3.10. 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 57.26 crore in one grant and savings of Rs 53.43 crore in 10 grants by Rupees one crore and above are detailed in ***Appendix- XIII and XIV*** respectively.

2.4. Unreconciled expenditure

2.4.1. Departmental figures of expenditure should be reconciled with those of the Accountant General (Accounts & Entitlements) (AG (A&E)) every month. The reconciliation, however, remained in arrears in several Departments. The number of Controlling Officers who did not reconcile their figures, the year(s) for which reconciliation was in arrears and the amounts involved were as follows:

(Rupees in crore)

Year	Number of Controlling Officers who did not reconcile their figures	Amounts not reconciled
1993-94	31	585.03
1994-95	08	84.52
1995-96	02	66.68
1996-97	12	695.05
1997-98	12	967.63
1998-99	11	578.37
1999-2000	04	27.82
2000-01	02	1147.74
2001-02	08	1387.56
2002-03	05	31.00
2003-04	04	31.06
Total	**99**	**5602.46**

2.4.2. Break-up of the amount that was pending reconciliation for the year 2004-05 by the various Controlling Officers with the figures of AG (A&E) are given as under:

(Rupees in crore)

Sr. No.	Name of the Controlling Officers who did not reconcile their figures	Amount not reconciled
1.	Chief Engineer, B&R Public Works Patiala	61.64
2.	Chief Engineer, Punjab Chandigarh	5.78
3.	Secretary, Irrigation and Power Punjab, Chandigarh	2180.86
	Total	**2248.28**

Reconciliation could not be carried out as the Departmental representatives did not come for reconciliation and this fact had been brought to the notice of the Finance Department.

2.5. Defective Re-appropriation

During 2004-05, 44 re-appropriation orders of Rs 1,570.37 crore were issued. Of these, 38 orders aggregating Rs 1,485.36 crore were issued on 31st March 2005, the last day of the fiscal year. Nineteen re-appropriation orders of the value of Rs 896.08 crore (57.06 *per cent*) were not considered in accounts as per details given in ***Appendix- XV***.

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 2,338.63 crore i.e. 13 *per cent* of the total expenditure (Rs 17,959 crore) was incurred in March 2005. Expenditure on the last day of the year was Rs. 531.21 crore. It was also noticed that in 12 cases, expenditure incurred during the fourth quarter of the year ranged between 50 and 100 *per cent* of total expenditure under those Heads of Accounts. Expenditure incurred during

March 2005 was 47.09 *per cent* of the total expenditure in these cases. Details are given in ***Appendix-XVI***.

2.7. Budgetary Control

2.7.1. A review of budgetary procedure and control over expenditure in case of five grants (02-Animal Husbandry and Fisheries, 03-Co-operation, 06-Elections, 24-Science, Technology and Environment and 28-Tourism and Cultural Affairs) covering 11 offices and eight Departments revealed that budget estimates for the year 2004-05 due as on 31 October 2003 were sent by the Administrative Departments to the Finance Department late and in some cases even after the 2004-05 budget had been formulated by the State Government.

The Departments were to maintain Liability Register to keep watch over the undischarged liabilities. It was noticed that but for one Department[2] no such register was maintained by the Drawing and Disbursing Officers operating the Grants. As a result, the Budget Estimates were prepared by the Controlling Officers without considering the liabilities of the Department.

2.7.2. In 13 cases (Animal Husbandry and Fisheries, Co-operation, Science, Technology and Environment and Tourism and Cultural Affairs), there were persistent savings exceeding Rs 20 lakh in each case and 20 *per cent* or more of the provision during the last three years. Details are given in ***Appendix-XVII***. In nine of the above cases, entire provision totalling Rs 123.87 crore remained unutilised.

2.7.3. A detailed scrutiny of records of the Secretary to Government of Punjab, Science, Technology and Environment Department (Grant No. 24) and the Director, Cultural Affairs, Archaeology and Museums (Grant No. 28) revealed the following irregularities:

- In 30 cases, there were savings of Rs 5.13 crore due to non-release of funds by the State Government. Details are given in ***Appendix-XVIII.***
- In three cases, there was saving of Rs 14 lakh due to non-passing of bills by the Treasuries. Details are given in ***Appendix-XIX.***
- In two cases in the Cultural Affairs Archaeology and Museums Department, supplementary grants sanctioned proved unnecessary or excessive in view of the saving under each head as detailed in ***Appendix-XX.*** Supplementary grant obtained was either excessive or unnecessary. The reasons for non-utilisation of grants were stated to be non-passing of bills by treasury and non-sanction or non-finalisation of projects by the Government.

2 Animal Husbandry Department.

CHAPTER-III

PERFORMANCE REVIEWS

CHAPTER-III

PERFORMANCE REVIEWS

This chapter presents three Performance Reviews covering the National Highways in Punjab, Implementation of Acts and Rules relating to Consumer Protection and Cash Settlement Suspense Account and Material Purchase Settlement Suspense Account.

3.1. National Highways in Punjab

PUBLIC WORKS DEPARTMENT (BUILDINGS AND ROADS BRANCH)

Highlights

> ➢ ***Out of Rs 333.91 crore allocated by the GOI, the Department failed to utilise Rs 54.76 crore during April 2000 to September 2004.***

(Paragraph 3.1.5 & 3.1.6)

> ➢ ***Out of claims totalling Rs 67.41 crore preferred by the Department for reimbursement during 2000-2004, a sum of Rs 8.63 crore was withheld by GOI on account of excess over estimates or irregular expenditure and an amount of Rs 1.77 crore was disallowed, being inadmissible expenditure, causing loss to the State Government.***

(Paragraph 3.1.7)

> ➢ ***Upgradation of three NHs at a cost of Rs 119.57 crore by the State Government with its own funds resulted in extra burden on the State exchequer since this was not reimbursed by MORT&H.***

(Paragraph 3.1.8)

> ➢ ***Non-construction of railway level crossing simultaneously with the construction of a bye pass, rendered expenditure of Rs 7.76 crore wasteful since the bye pass could not be used.***

(Paragraph 3.1.12)

> ***Change in scope after awarding the works due to defective survey resulted in cost over run of Rs. 2.49 crore coupled with time over run of 96 months and 53 months in the construction of Gurdaspur bye pass and bridge over Sirsa Nadi respectively.***

(Paragraph 3.1.13 and 3.1.14)

> ***Litigation by the Department against the advice tendered by the Ministry of Law, Justice & CA delayed construction of an ROB by 66 months; failure to recalculate the concession period afresh on the basis of traffic of 2003 resulted in extension of undue financial benefit to the agency.***

(Paragraph 3.1.17)

> ***Delay in execution of work entailed an extra liability of Rs 84 lakh as payment to be made to the BSNL towards shifting of their facilities.***

(Paragraph 3.1.20)

Introduction

3.1.1. The National Highways (NH) Act, 1956 as amended from time to time empowers Government of India (GOI) to declare certain highways as National Highways. The National Highways Rules, 1957, were framed for the implementation of the NH Act, 1956. NHs are important roads conforming to the latest road safety norms between state capitals, industrial towns, places of tourist attraction and other places of historical and religious importance, etc.

There are 13[1] NHs and two[2] bye passes with a total length of 1739.15 km in Punjab as shown in figure I. Of this, 287.87 km of two NHs (NH-1: 174.90 km & NH-IA: 112.97 km) have been transferred (December 2001) to the National Highways Authority of India[3] (NHAI), 26.73 km fall within Municipal Committee (MC) limits, 5.12 km in the union territory of Chandigarh and the balance of 1419.43 km was with the Public Works Department (Buildings & Roads Branch).

The Chief Engineer (CE) National Highways, Punjab PWD (B&R), Patiala is in overall charge of the construction and maintenance of NHs and is assisted by five Superintending Engineers (SE). The SE at the headquarters is assisted by one Executive Engineer. In the field, 13 Central Works Divisions each headed by an Executive Engineer under the supervision of four SEs execute the works. A Regional Office of the Ministry of Road Transport and Highways (MORT&H) located at Chandigarh monitors the execution of NH works. A Regional Pay and Accounts Officer (RPAO) of the Ministry, also

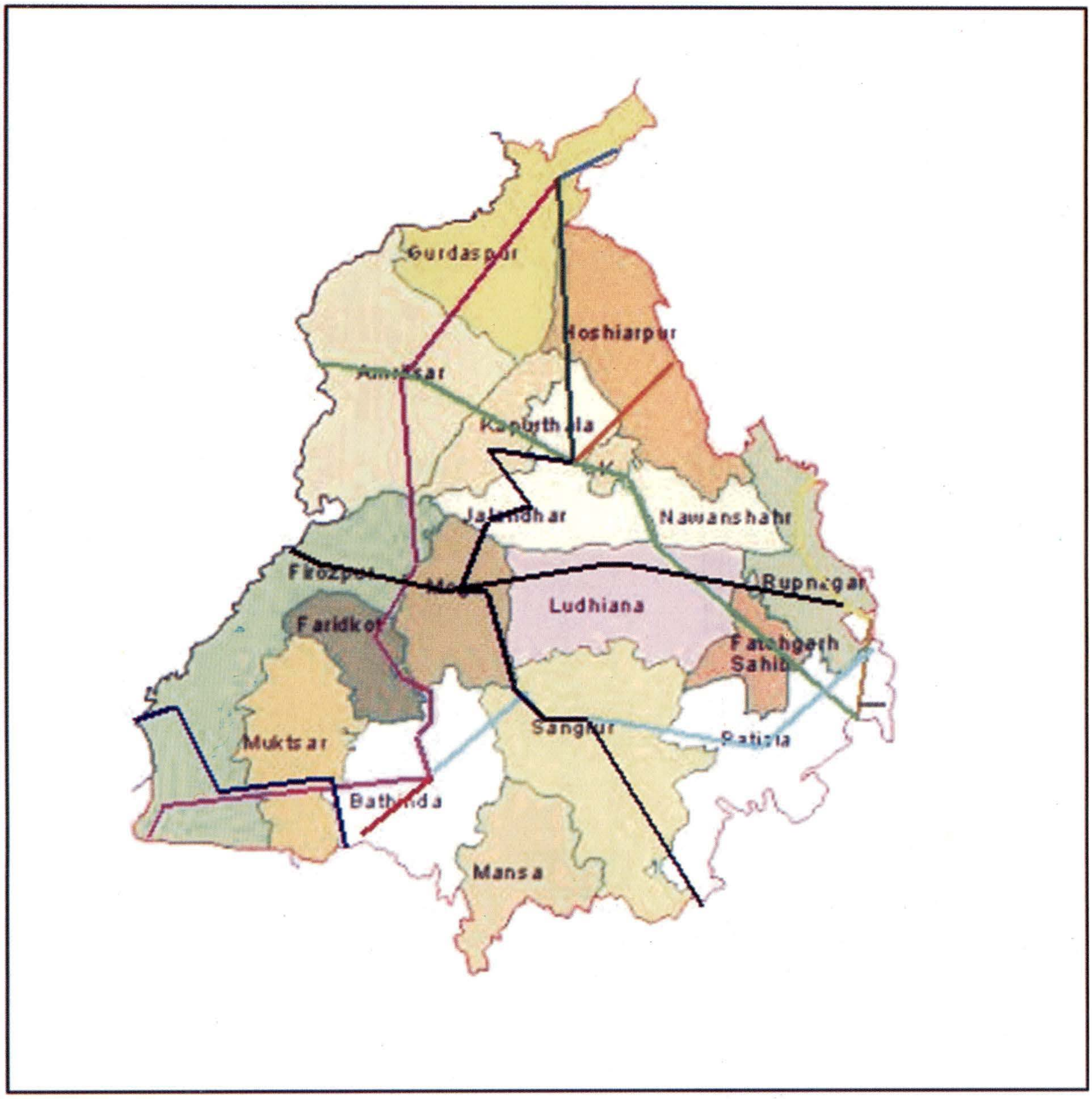
[1] 1, 1A, 10, 15, 20, 21, 22, 64, 64-A, 70, 71, 72 & 95.

[2] Abohar: 15.953 km & Gurdaspur: 8.290 km.

[3] NHAI was constituted by an Act of Parliament namely the NHAI Act, 1988. It is responsible for the development, maintenance and management of NHs entrusted to it. The NHAI became functional in February 1995.

<u>Figure I</u>

Map showing National Highways passing through Punjab

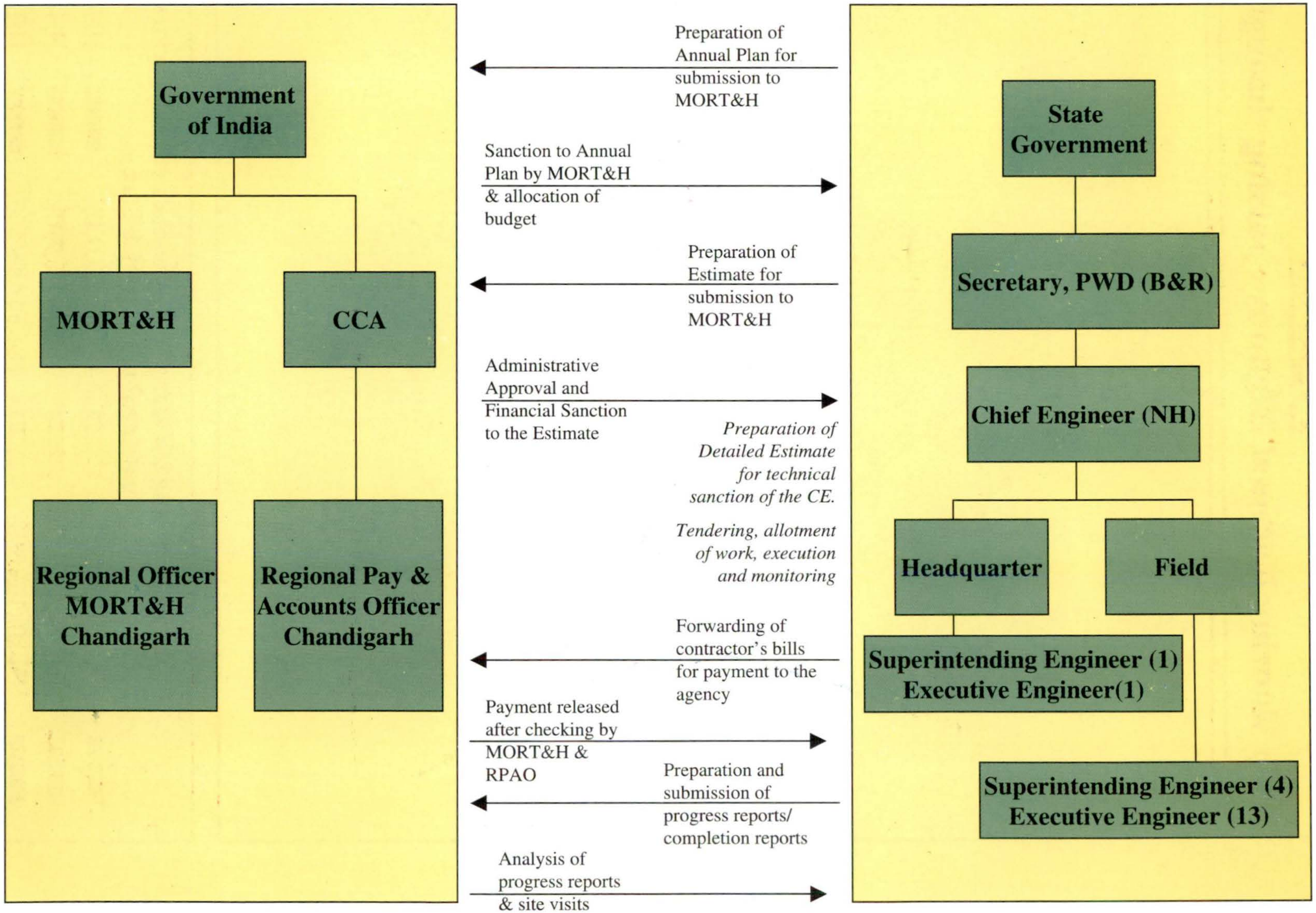


Legends showing NH along with its total length in kilometres passing through Punjab State

NH-1 (279.420)	NH-21 (82.000)	NH-71 (203.995)
NH-1A (112.970)	NH-22 (30.990)	NH-72 (4.520)
NH-10 (109.060)	NH-64 (209.500)	NH-95 (211.55)
NH-15 (360.870)	NH-64A (40.440)	Gurdaspur bye pass NH-15(8.290)
NH-20 (11.975)	NH-70 (57.620)	Abohar bye pass NH-15(15.953)

Figure-II

Chart showing the implementation structure in respect of development and maintenance works on National Highways in Punjab



stationed at Chandigarh, looks after the payments as well as reimbursement of expenditure on construction and maintenance of NHs. The implementation structure is given in figure II.

Up to 31 March 2001, the State Government was to initially incur expenditure on construction and maintenance of NHs and get it reimbursed from MORT&H. With effect from 1 April 2001, the system was changed to Direct Payment Procedure (DPP) by MORT&H for NH works on special repairs, periodical renewals and Improvement of Riding Quality Programme (IRQP) under major heads 5054-Original Works (OW) and 3054-Maintenance and Repair (M&R). For ordinary repairs and flood damage repairs under major head 3054-M&R, the previous system of re-imbursement was continuing.

Scope of Audit

3.1.2. Records of the CE, RO, RPAO and Executive Engineers holding charge of four NHs[4] and one bye pass out of 13 NHs covering the period from 2000-01 to 2004-05 were reviewed in audit during the period October 2004 to June 2005 to scrutinise the execution of works pertaining to development, maintenance and improvement of riding quality of NHs as required to be done periodically as per specifications issued by MORT&H.

Audit Objectives

3.1.3. The objective of audit during the review was mainly to assess:

- Whether the funds received from GOI were utilised in an economical and efficient manner and for the intended purposes;
- Whether the bills for maintenance and ordinary repairs etc. were duly preferred and reimbursement received;
- Whether proper planning was done to optimise the use of available resources by taking up developmental works on priority;
- Whether proper survey was done to avoid subsequent changes in scope of work;
- Whether works were executed in a planned and coordinated manner;
- Whether there was any post tender developments leading to extra payments;
- Whether the departmental rules and instructions issued from time to time were observed;
- Whether works were completed as per schedule conforming to specifications so as to avoid extra payment;
- Whether proper monitoring system for implementation including quality control of various works existed.

4 Four NHs consisting of 894.73 km detail of which is as under: (NH-1: 279.420 km of which 174.90 km were transferred to NHAI in December 2001, NH-15: 360.870 km, NH-64: 209.500 km, NH-95: 211.55 and Gurdaspur bye-pass: 8.290 km).

Audit findings

3.1.4. The records in the offices of the RO and the RPAO as well as CE and the Executive Engineers were test-checked. The findings are given below:

Financial performance

3.1.5. As per the NH Act, 1956 it is the responsibility of GOI to develop and maintain all the NHs. The funds for externally aided schemes and other schemes are also provided through GOI. The details of funds allocated and utilised by the Department during the period 2000-2005 were as follows:

(Rupees in crore)

Year	Funds allocated by GOI	Funds utilised by the Department[5]	Short utilisation	*Percentage* of short utilisation
5054-Original Works				
2000-2001	53.65	38.17	15.48	28.85
2001-2002	64.13	58.66	5.47	8.53
2002-2003	51.76	47.08	4.68	9.04
2003-2004	51.00	50.99	0.01	0.02
2004-2005 (upto 9/04)	23.39	22.50	0.89	3.81
Total	**243.93**	**217.40**	**26.53**	
3054 - Maintenance Works				
2000-2001	20.88	15.40	5.48	26.25
2001-2002	24.08	15.97	8.11	33.68
2002-2003	17.61	9.28	8.33	47.30
2003-2004	20.09	18.80	1.29	6.42
2004-2005 (upto 9/04)	7.32	2.30	5.02	68.58
Total	**89.98**	**61.75**	**28.23**	
Grand Total	**333.91**	**279.15**	**54.76**	

Short utilisation of funds

State Government under utilised the funds of Rs 54.76 crore sanctioned by GOI and spent Rs 119.57 crore from PIDB funds on assets belonging to the GOI

3.1.6. While on the one hand the State Government under utilised GOI funds to the extent of Rs. 54.76 crore during 2000-05, the Department spent an amount of Rs. 119.57 crore on NHs from the Punjab Infrastructure Development Board (PIDB) funds that was not reimbursed by MORT&H, as mentioned in paragraph 3.1.8 of this review.

Non-reimbursement of expenditure

Out of reimbursement of Rs 67.41 crore claimed by State PWD, Rs 8.63 crore were withheld and Rs 1.77 crore were disallowed by GOI

3.1.7. Out of the total reimbursement of Rs 67.41 crore claimed by the State Government during 2000-2004, Rs 57.01 crore were reimbursed, Rs 8.63 crore were withheld and Rs 1.77 crore were disallowed by MORT&H under the head 5054 – Original Works and 3054-Maintenance Works, as shown in the following table:

[5] Funds utilised included agency charges and expenditure of previous years, claimed in subsequent financial years.

Photograph showing National Highway-64 upgraded out of PIDB funds by State Government

(Refer paragraph 3.1.8)

(Rupees in crore)

Year	Reimbursement claimed by State Govt.	Amount reimbursed	Amount withheld	Amount disallowed
5054-Original Works				
2000-2001	26.94	25.47	1.47	0.00
2001-2002[6]	4.21	(-)0.01	3.86	0.36
Total	**31.15**	**25.46**	**5.33**	**0.36**
3054- Maintenance Works				
2000-2001	16.01	15.39	0.44	0.18
2001-2002	8.05	5.30	2.29	0.46
2002-2003	5.68	4.91	0.18	0.59
2003-2004	6.52	5.95	0.39	0.18
Total	**36.26**	**31.55**	**3.30**	**1.41**
Grand Total	**67.41**	**57.01**	**8.63**	**1.77**

MORT&H withheld Rs 8.63 crore on account of expenditure which was either in excess of sanctioned estimates or was not supported by proper documents. The amount of Rs 1.77 crore was disallowed as expenditure on non-permissible items such as firewood, stationery, storage charges, etc.

Non-adherence to rules, instructions and provisions of estimates by the Department caused loss to State by way of non-reimbursement of expenditure by GOI.

The Department should execute the works only as per approved estimates and expenditure on non-permissible items should not be incurred.

Unnecessary burden on State Exchequer

Failure to obtain administrative approval and financial sanction of MORT&H deprived the State of reimbursement of Rs 119.57 crore spent on three NHs by the State Government

3.1.8. As per procedure prescribed, NHs to be constructed or re-carpeted or repaired are included in the annual plan to be submitted to MORT&H for their approval, after which funds are allotted by GOI.

An expenditure of Rs 119.57 crore was incurred on upgradation of NHs out of PIDB[7] funds by State Government on NH-21 (Rs 9.15 crore), NH-64 (Rs 68.91 crore) and NH-95 (Rs 41.51 crore) during the period 2000-2005. MORT&H while according the technical approval to the proposal of the State Government for the upgradation and strengthening of NHs stated that notwithstanding the technical approval there exists no commitment to reimburse the cost and if the State Government is desirous of going ahead with the project they may do so with their own funds at their own risk and cost. As such these works were only technically approved but there was no commitment by GOI to reimburse their cost. Department also did not obtain the administrative approval and the financial sanction of GOI before proceeding with the construction work. As a result, expenditure of Rs 119.57 crore was incurred on assets that did not belong to the State Government. It

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6 From 1.4.2001 direct payment system came into operation. Amounts pertaining to 2001-02 related to reimbursement for works done in previous years.

7 PIDB was constituted to provide for the partnership of private sector and public sector in the development, operation and maintenance of infrastructure facilities in Punjab State.

also resulted in loss of Rs 10.76 crore that was to be received as agency charges.

Thus, failure to obtain administrative approval and financial sanction of MORT&H deprived the State government of the reimbursement of Rs 119.57 crore and non-realisation of agency charges of Rs 10.76 crore.

Not taking over stretches of NHs falling within municipal committee (MC) areas

Not taking over stretches of NHs falling within MC limits not only caused loss to State Government on their maintenance and development but also meant loss of agency charges payable on the NH works

3.1.9. Section 2(i) of the NH Act, 1956 as amended in 1997 provides that parts of NHs situated within the MC areas formed part of the NH network. State Governments were accordingly requested (June 1997) by GOI (MORT&H) to take over the existing urban links immediately and treat the same as part of the NHs for future development and maintenance of the same.

During audit it was noticed (November 2004) that 26.730 km of NHs, still with the MCs, were not taken over by the Department. These stretches were being maintained by MCs by incurring expenditure out of State funds whereas this was required to be done with funds from GOI. Upto April 2005, expenditure of Rs 40.35 lakh (Amritsar : Rs 40.35 lakh during 2003-05, Ludhiana & Jalandhar: information awaited) was incurred on such stretches of NH. No reply was furnished (August 2005) by the Department to explain the reason for spending State Governments funds for the purpose.

The orders of GOI should be complied with properly so as to avoid loss to State on account of expenditure on NHs out of State funds.

Non-renewal of licence deed

3.1.10. As per MORT&H instructions of August 2000, the licence deed for use of NH land for approach road to the retail outlet of oil companies is valid for three years and is to be renewed thereafter. Executive Engineers were required to maintain a record of retail outlets in a prescribed format so as to take up the case four months before the lapse of the licence deed. Further, as per instructions of MORT&H of 17 October 2003, the oil company or the owner is required to enter into an agreement with MORT&H and there would be an one time fee of Rs one lakh in consideration of the agreement with a validity period of 15 years.

The scrutiny of records of Executive Engineers disclosed (November 2004 to June 2005) that:

- For 74 retail outlets, the Executive Engineers did not know the date of the expiry of the last licence deed, as the relevant records were not available with them.
- In 84 cases, licence deeds were not renewed between September 1991 and March 2004 from MORT&H though those in existence had expired between September 1991 and February 2004. This involved loss of revenue of Rs 84 lakh.

- In 16 cases, licence deeds were renewed for a period of three to 10 years by charging renewal fee between Rs 90 and Rs 250 per annum instead of fee of Rs one lakh for 15 years.

No specific reply has been received (December 2005).

Thus, non-maintenance of prescribed record and failure of the Department to renew the licence deeds allowed the retail outlets to run without renewal leading to non-compliance of instructions of MORT&H and loss of revenue of Rs. 84 lakh to GOI.

The Department needs to comply with the instructions issued from time to time by MORT&H.

Planning and Management of Works

3.1.11. Planning mainly covers proper survey & estimation with reference to time and cost, prioritisation, convergence with other agencies working on NHs, proper allotment and utilisation of funds, etc. so as to complete the work within the scheduled time and the estimated cost. The following points were noticed with reference to planning for NH works.

Improper planning

Non-construction of Railway Level crossing simultaneously with the construction of bye pass, resulted in ungainful expenditure of Rs 7.76 crore, incurred on completion of bye pass

3.1.12. In view of heavy traffic on NH-15, a proposal to construct a bye pass around Gurdaspur city was approved by MORT&H in May 1992 at a cost of Rs 4.13 crore. The estimate included Rs six lakh, being the cost of construction of a railway level crossing to provide connectivity on both sides of the railway track as demanded by Railways. The work was awarded in November 1993 with a time limit of 12 months. After awarding the work the scope increased due to change in levels of the road and the bye pass was completed in November 2002 at an increased cost of Rs. 7.76 crore without the construction of railway level crossing. The construction of the railway level crossing, however, remained under correspondence between the Department and the Railway authorities till September 2003 when the Railway authorities agreed to provide level crossing at a capital cost of Rs. 52.77 lakh and annual maintenance charges on year to year basis. Accordingly, a sum of Rs 45.66 lakh was paid (February 2004) to the Railways for the construction of the level crossing. Completion of the level crossing was, however, awaited (November 2004). Thus, the bye pass completed in November 2002 at a cost of Rs. 7.76 crore could not be opened to public for lack of connectivity due to non-construction of level crossing as the bottleneck on the bye pass remained. The purpose of construction of bye pass to allow uninterrupted traffic flow and diversion of heavy traffic to ease out the congestion in Gurdaspur city was also not achieved.

The matter to construct railway level crossing should have been taken up with Railway Authorities simultaneously with construction of bye pass so as to minimise the delay in providing infrastructural facilities to the public and to fulfil the intended purpose.

Defective survey resulting in time and cost overrun

Change in scope of work after awarding the work not only resulted in time overrun by 96 months but also cost overrun of Rs 2.06 crore on the construction of Gurdaspur bye pass

3.1.13. MORT&H approved (May 1992) the construction of Gurdaspur bye pass at cost of Rs 4.13 crore. After the work was awarded in November 1993 (with a time limit of 12 months), the RO during his site visit in April 1994 noticed that the natural surface level (NSL) of the proposed bye pass was below the high flood level (HFL), and proposed raising of the sub-grade. This indicated that the survey conducted by the Department had been defective. Accordingly, against the original estimate of Rs 4.13 crore, a revised estimate of Rs 7.78 crore was prepared and got approved from MORT&H in October 1997. The work was completed in November 2002 at a cost of Rs 7.76 crore against the original date of completion of November 1994. Thus, delay in completion of work due to defective survey resulted in cost overrun by Rs 2.06 crore due to rise in prices as calculated by the Department and time overrun by 96 months.

Incomplete survey for construction of bridge over *Sirsa Nadi* caused delay of 53 months and resulted in payment of escalation amounting to Rs 43.43 lakh

3.1.14. The work of construction of a two-lane bridge across the *Sirsa Nadi* at km 56 of NH-21, sanctioned (January 1998) by MORT&H at a cost of Rs 8.52 crore was awarded (June 1998) to the Rapid Construction Company, New Delhi at a tendered cost of Rs 6.73 crore, to be completed within 12 months reckoned from 2 June 1998. It was observed in audit that the survey work which was the basis for design and drawings was defective. As a result, after the award of contract there were changes made in the levels of the wells, increase in depth of the slabs, etc. leading to enhancement of cost of work to Rs. 7.52 crore. To accommodate the revised design, drawings were issued at various stages belatedly and the contractor sought extension of time, which was also granted from time to time. Due to the above, an extra amount of escalation of Rs. 43.43 lakh[8] had to be paid and the work was completed in November 2003 with a delay of 53 months at a cost of Rs. 7.80 crore.

Defective survey necessitating change in design after awarding the work increased the scope of work and delayed the work by 53 months in completion causing extra payment of Rs. 43.43 lakh on account of price escalation besides non-availability of infrastructural facilities by more than four and half years.

Design and Specifications

Excess expenditure on crust

Execution of work in excess of the norms resulted in excess expenditure of Rs 12.62 lakh

3.1.15. According to the Indian Road Congress specifications (IRC) 37, the design of the crust of flexible pavement is based on the California Bearing Ratio (CBR) value of the subgrade and the number of commercial vehicles per day exceeding three tonnes laden weight plying for the designed life of the road. It has been observed in audit that even after considering the maximum traffic density of 4500 commercial vehicles or above per day that is provided in the design chart appended to IRC 37, the crust for 4.5 *per cent* CBR value would be 575 mm.

[8] Out of total cost overrun of Rs. 1.07 crore (7.80 – 6.73) Rs. 43.43 lakh were paid on account of price escalation and Rs. 63.57 lakh were spent on increased scope of work.

Scrutiny of records in respect of construction of Gurdaspur bye pass revealed (December 2004) that a crust of 625 mm was laid for the CBR value of the sub grade as 4.5 *per cent*, as per tested value at site, without conducting any traffic census, which was in excess by 50 mm. This crust thickness of 575 mm was the maximum for the CBR value of 4.5 *per cent* since in the absence of the survey maximum number of vehicles plying per day of 4500 number as given in the chart were taken into consideration. Thus, this was a case of over-designing even when maximum possible vehicles were considered. To lay the crust in excess of the prescribed norm by 50 mm, extra expenditure of Rs 12.62 lakh was incurred.

Designing needs to be based on field data collected such as traffic intensity survey and results thereof should be applied to ensure economic design and for providing services of the adequate quality.

Change in design after awarding of the work

3.1.16. Designing should be based on adequate field data and tests, so as to avoid subsequent changes in work causing of time and cost overrun.

Change in design resulted in escalation in the cost of bitumen by Rs 28.50 lakh and liability of Rs 13.95 lakh on account of escalation payable to the contractor besides leaving the stretch of 5.90 km un-carpeted and delay in work by 26 months

The work of strengthening NH-IA (Jalandhar – Pathankot Road) km 75.00 to 84.90 was approved by MORT&H in November 1997 and awarded to an agency in July 1999 for Rs 2.64 crore. On the request of CE (April 2000), MORT&H allowed some changes in the design, thereby increasing the cost of work. It was observed in audit that after the award of the work, changes in design were necessitated due to defective testing carried out earlier. As a result, no work could commence till the revised design was technically sanctioned by MORT&H. Accordingly, the agency was permitted to start the work in July 2000 with revised scope. The agency completed it in May 2002 restricting the scope of work to the value of the agreement and declined to execute the additional work. As a result, a stretch of 5.90 km remained uncarpeted as of October 2004.

Thus permitting the agency to commence the work one year after its allotment resulted in escalation in cost to the extent of Rs. 42.45 lakh (Rs. 28.50 lakh on bitumen paid in excess by the Department and liability of Rs. 13.95 lakh payable to the agency on other construction material) besides a stretch of 5.90 km remaining uncarpeted despite a time overrun of 26 months.

The prescribed norms and codal provisions should be scrupulously followed while preparing estimates in order to avoid subsequent changes leading to overruns of time and cost.

Execution of works

Undue benefit to a contactor owing to continuance of litigation

3.1.17. For construction of Railway overbridge (ROB) at level crossing No. 32-B at Kurali NH-21 at km 26.428 on Build, Operate & Transfer (BOT) basis with toll rights, a notice was issued to attract prospective bidders in December 1997. In a pre bid conference held on 20 January 1998 at New Delhi, between the representatives of MORT&H, the Department and all the entrepreneurs, clause 3.36 of the draft notice inviting tenders (NIT) which envisaged the

Pursuing the case by the Department against the advice of Ministry of Law, Justice and CA and failure to recalculate the concession period afresh on the basis of traffic census of 2003 not only delayed the infrastructural facility of ROB by 66 months but also extended undue financial benefit of Rs 35.61 crore to the agency at the cost of public

entrepreneur's guarantee against pre-mature closure of project, was deleted by consensus. As per the terms of the NIT, the party that would construct, operate and transfer the ROB to the Department earliest would be the successful bidder. On opening the bids on 1 May 1998, Pearls Build Well Infrastructures Limited, New Delhi (agency) was found to be the successful bidder with concession period of eight years and eight months (including construction period of two years). The cost of construction of ROB was estimated at Rs. 18.81 crore. Against the advice of the Ministry of Law, Justice and CA (Ministry of Law) of September 1998 that sub-clause 3.36 may be deleted, specially because clause 11 provided for these eventualities, MORT&H directed (February 1999) CE to retain clause 3.36 against which the agency went (1999) to Hon'ble High Court, New Delhi, which decided (January 2000) the case against the Government. Against this decision, the Punjab Government filed (2002) a special leave petition (SLP) in the Hon'ble Supreme Court. The SLP was dismissed (August 2002) by the Hon'ble Supreme Court.

It was further noticed that while arriving at concession period to enable the agency to recover their investment and returns thereon, the traffic census of 1998 was taken as base and traffic for subsequent years was arrived at by assessing the growth rate of 7.5 *per cent* per annum. As the volume of traffic was to grow with passage of time, any delay in the start of the work would be advantageous to the successful bidder as it would mean more income for him. The work was actually awarded in November 2003, to be started in February 2004 and completed in February 2006. By the time the work was started, the volume of traffic had gone up much higher compared to 1998 when the tender had been opened. With the traffic volume of 2003 (calculated on the basis of the growth rate of 7.5 *per cent* per annum) as the base and allowing the same concession period of eight years eight months as in the accepted tender, the anticipated difference between income from toll tax and the expenditure on construction worked out to Rs. 35.61 crore more than that computed at the time of award of the work. For making this calculation, the cost of construction was also adjusted with reference to the rise in price index from April 1998 to February 2004. Even allowing for the fact that such rough and ready calculation could be far from accurate, it is clear that if the traffic census of 2003 had been adopted to arrive at the concession period afresh, the extra benefit of the order of Rs 35.61 crore would not have been available to the agency.

Though there was delay of five and half years in commencement of the work, the reasons for not inviting fresh tenders or not refixing the concession period was not clear. The delay in construction was also attributable to the decision of the Department to pursue litigation in this case in disregard of the advice of the Ministry of Law.

Undue facilitation to agency due to post tender developments

As per provisions of the agreements executed for IRQP works, regulation of traffic & other arrangements during the period of construction were to be made by the agencies as per specification of MORT&H and nothing extra was payable on this account. Further, agencies before tendering, were advised to visit the sites and acquaint themselves about site conditions. However, provisions of contract agreement were not brought to the notice of MORT&H while recommending the cases for sanction to post tender developments.

Unjustified recommendations of the Punjab PWD and sanction of MORT&H to the post tender developments without verifying the facts resulted in extra expenditure of Rs 32.89 lakh

3.1.18. The work of IRQP in km 144-163 on NH-64 with the provision of primer coat with bituminous emulsion (slow setting) was awarded (11 March 2004) with 13 May 2004 as the date of start of work. But even before the start of work, on the agency's plea (made on 12 May 2004) that regulation of traffic during execution was not possible as the traffic intensity was very high, a proposal for change in the specifications from primer coat to one coat surface dressing was sanctioned by MORT&H. The changed specification involved a rate of Rs. 22.90 per sqm instead of Rs 8.50 per sqm for the earlier specifications and involved an additional cost of Rs 19.88 lakh for an area of 138037.20 sqm. The specification was changed though there was provision of two-metre wide brick soling on either side of the road for smooth flow of traffic during construction. Incidentally, a similar work on km 126-136 on the same road, was successfully completed (June 2004) with the provision of primer coat by another agency without any problem of regulation of traffic despite the fact that traffic intensity was more (30076 PCUs) than the work for which the specification was changed (24175 PCUs). On this being pointed out (April 2005), the Executive Engineer stated that reply would be furnished later on which was still awaited (December 2005).

3.1.19. Similarly, the work of IRQP in km 76-92 on NH 64 was awarded (December 2003) with the provision of primer coat with bituminous emulsion (slow setting) which was also changed to one coat surface dressing on the same plea of the agency and sanctioned by MORT&H, at the rate of Rs 21.95 against Rs 10.50 per sqm for the earlier specification entailing an additional expenditure of Rs 13.01 lakh for an area of 113660 sqm. The Executive Engineer stated that reply would be furnished later on which was still awaited (December 2005).

Thus, unjustified recommendations of the Department and sanction of MORT&H to post tender developments without verifying the facts resulted in extra expenditure of Rs 32.89 lakh (Rs 19.88 lakh + Rs 13.01 lakh). The Department also failed to invoke the relevant clause of agreement to penalise the defaulting agencies for their inability to regulate the traffic as per the terms and conditions of the agreement.

Avoidable liability

Non-getting the work of shifting of telephone poles done in 1998, when the Department of Telecommunication agreed to do it free of cost, resulted in avoidable liability of Rs 84 lakh

3.1.20. An estimate for removal of trees and shifting of utilities (electric and telecom) for the construction of ROB at railway level crossing No. 32-B on NH-21 at km 26.428, was administratively approved (March 1998) by MORT&H for Rs 47.67 lakh and was technically sanctioned by CE in March 1998.

Scrutiny (November 2004) of the records of Central Works Circle, Chandigarh, however, revealed that the work had not been started on the ground that there was a court case between the contractor and the Department. The stand of the Department did not hold good because the court case was with another contractor in respect of a different work. As this was a separate contract, there was no hindrance to the execution of the work of shifting of utilities. Further, in the original estimate the Department of Telecommunication had agreed to carry out the shifting free of cost. With the lapse of time, the operation of the Department of Telecommunication was transferred to a newly created company viz. Bharat Sanchar Nigam Limited (BSNL). The revised estimate (March 2004) included a provision of Rs 84 lakh for payment to BSNL for shifting of their utilities. Had the work been started as originally scheduled, this expenditure of Rs 84 lakh could have been saved. Reply of the Department was still awaited (December 2005).

Not shifting the telephone poles in 1998, when the Department of Telecommunication had agreed to do it free of cost, resulted in avoidable liability of Rs 84 lakh.

Loss of agency charges

3.1.21. As per instructions issued by MORT&H from time to time, agency charges at the rate of nine *per cent* are payable to the Department on the amount of work done on NHs, to meet the expenditure on salary & TA/DA of supervisory staff, office expenses, etc.

Scrutiny of records revealed that the work of construction of new two lane bridge over *Sirsa Nadi* at KM 56 on NH-21 was sanctioned (January 1998) by MORT&H for Rs 12.20 crore to be completed in 36 months. The estimate included agency charges @ nine *per cent*. The work was delayed by 54 months and was completed in November 2003 against the stipulated date of completion of May 1999. MORT&H disallowed (July 2002) agency charges for the remaining period of contract on the grounds that (i) the Department did not follow their instructions, (ii) disregarded the terms of the sanction of MORT&H. Accordingly, the cost of the project was restricted to Rs 11.63 crore by MORT&H. After July 2002, further works amounting to Rs 1.28 crore were executed by the Department through the contractual agency and paid for by the RPAO, MORT&H but after deduction of agency charges amounting to Rs 11.50 lakh.

Failure to follow the provisions of estimates approved by MORT&H while entering into a contract and instructions, resulted in loss of Rs 11.50 lakh on account of non-receipt of agency charges.

The Department needs to adhere to the provisions approved/sanctioned by MORT&H while entering into contract.

Quality Assurance System

Loss due to acceptance of sub-standard work

3.1.22. As per prescribed procedure, before execution of road work in any bituminous layer, job mix formula (JMF) is required to be got devised by the Research Laboratory or any other authorised agency as per conditions of the contract, by drawing samples from the material brought at site by the contractor so as to attain density of required strength. The JMF is unique in every case depending upon the quality of the material used for the work. As per the terms of NIT, the JMF was to be derived on the basis of density prescribed in the NIT and if there were to be variation as per the approved JMF the prices were to be adjusted accordingly. Thus, the contractor was to be paid only after execution of work as per approved JMF.

It was observed in audit that the work of providing and laying 25 mm thick asphaltic concrete (AC) in km 252.25 to 275.525 of NH-1 was awarded (January 1997) to a contractor at Rs 2,030 per cum to achieve density of 2.10 kg/cum[9] with five *per cent* binder. The Research Laboratory gave (March 1997) JMF with a density of 2.33 kg/cum. The work of laying 4641.33 cum of AC was executed and accepted by the Executive Engineer. The contractor raised (May 1997) additional claim of Rs 10.32 lakh, being the difference between the density of 2.10 and 2.33 kg/cum, which was declined (June 1997) by the Executive Engineer on the advice of SE. Aggrieved, the agency went for arbitration. The arbitrator, in his award allowed (August 2000) Rs 5.07 lakh being the difference between density of 2.10 kg/cc and 2.213 kg/cc (density actually achieved at site) with simple interest of 10 *per cent* from 13 January 1998 (the date of reference). The Department did not appeal against the award of the arbitration despite the fact that testing during arbitration revealed that the work was sub standard and was not as per the JMF that had been approved. While sanctioning funds Government ordered (March 2004) that the amount be recovered from the defaulting officer within three months, for not pursuing the case against the award of arbitrator but the same had not been recovered so far. The payment to the agency was made in May 2004. The Department also failed to levy penalty for sub-standard work done by the agency.

Thus, failure of the Department not to file the case against decision of the arbitrator resulted in excess payment of Rs 8.22 lakh and failure to levy penalty for substandard work done by contractor caused a loss to Government.

The Department needs to accept only works executed strictly conforming to the specifications before making payments and take prompt action to levy penalty wherever leviable.

Undue favour to the agencies

3.1.23. As per clause 31(b) of the agreement executed between the Contractor and the Department, a quality control consultant (QCC) was required to be engaged by the agency for works valuing Rs two crore or more, after getting the approval from the SE concerned. In case the contractor failed to do so, the Engineer in charge was to employ an independent QCC at the cost of the contractor and a deduction at a rate of 1.5 *per cent* of the total cost of the work awarded was to be made from the bills of the contractor.

Two works were executed (September 2002 and March 2004) by two agencies at a cost of Rs 4.73 crore (Rs 2.53 crore and Rs 2.20 crore) but both agencies did not appoint any QCC. Consequently, recovery @1.5 *per cent* was required

9 Density of 2.10 kg/cum was in the NIT for inviting rates only. The quoted rates were subject to adjustment as per density of the approved JMF.

to be made in both cases, whereas only in the latter case (work with value of Rs 2.20 crore) recovery @ 0.5 *per cent* was made, resulting in undue favour to the agencies by short recovery of Rs six lakh. However, no QCC was appointed even by the Department in both cases. In the absence of this inaction, it was not understood as to how the quality of work was ensured by the Department.

Thus, failure on the part of the Department/ MORT&H to deduct charges @ 1.5 *per cent* in the event of non-appointment of QCC by the agency, led to undue benefit to the agency amounting to Rs six lakh besides compromising with the quality of work due to non-adherence to the clause of contract agreement.

The Department needs to follow the clauses of contract agreement in right earnest so as to ensure quality of work and avoid undue favours.

Conclusion

3.1.24. The review highlights administrative failure of the State Government in the areas of planning, coordination and monitoring of works as also technical failures of the Department in execution of construction and maintenance works.

The Government failed to fully utilise the funds released by Government of India. Instead, it spent its own resources on construction of NHs which are not assets belonging to the State. The State could have utilised such funds on construction and maintenance of its own assets.

Instances of sub-standard technical supervision and unsatisfactory financial management are highlighted in the review. These are non-adherence to rules, instructions and provisions of estimates and failure to obtain administrative approval and financial sanction of estimates or revised estimates; non-execution of works as per estimates and improper planning, including incomplete/improper survey necessitating change in design and resulting in subsequent increase in scope of works as well as cost and time overrun. Not taking over stretches of NH falling within municipal limits caused loss to Government. The injudicious recommendation of the Department for change in design and scope of work and sanction thereof resulted in extra expenditure. The lapses not only delayed the execution of works but also resulted in loss to Government, non-receipt of reimbursement of expenditure from GOI and avoidable expenditure on works besides deferring the benefits likely to accrue from the works.

Non-adherence to the advice of Ministry of Law not only delayed the construction of an ROB considerably but also extended undue financial benefit to the contractor by way of substantially higher income from toll fees.

Recommendations

- Efforts may be made to ensure economy in expenditure on approved works by closer monitoring and adherence to approved specifications and only on permissible items.

- The areas of survey, planning and estimation need to be given more attention to avoid changes in scope of work or specifications in an advanced stage of execution.
- Clauses of the contract agreement and instructions issued by MORT&H need to be followed in letter and spirit and smooth coordination with other concerned Government Departments ensured to manage the execution of works effectively in an economical and efficient manner.
- Quality of works should be checked during execution effectively so as to avoid acceptance of defective or sub-standard works.

The above points were reported to Government in July 2005; reply has not been received (December 2005).

3.2. Implementation of the Acts and Rules relating to Consumer Protection

FOOD, CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

Highlights

- ***Infrastructure such as buildings and staff necessary for effective functioning of consumer courts was inadequate.***

(Paragraphs 3.2.10, 3.2.11 & 3.2.21)

- ***Consumer Protection Councils were not set up.***

(Paragraph 3.2.20)

- ***Recruitment rules not framed. Suitability of staff for manning posts in the Consumer Courts was not systematically assessed.***

(Paragraph 3.2.22)

- ***Funds provided for working of forums were inadequate.***

(Paragraph 3.2.23)

- ***Consumer awareness scheme was not in place.***

(Paragraph 3.2.25 & 3.2.26)

- ***The number of pending cases was rising as monitoring and evaluation system not in place.***

(Paragraph 3.2.27 & 3.2.28)

Introduction

3.2.1. The Consumer Protection Act, 1986 (Act) was enacted by the Parliament in 1986 to provide simple, speedy and inexpensive redressal for consumers' grievances. The provisions of this Act give the consumer an additional remedy besides those that may be available under other existing laws. The Act came into effect from 1987 after the Government of India (GOI) framed the Consumer Protection Rules, 1987. The Act, applicable to all goods and services, covers all sectors – whether private, public and cooperative and provides for the establishment of a three-tier quasi-judicial consumer dispute redressal machinery at the national, state and district levels. These forums are also referred to as consumer courts. The courts are empowered to give relief of specific nature and award compensation to consumers. The Act was amended in 2002 to discourage adjournments, making provision for the senior most member to preside over the forum in case of absence or vacancy of the President and empowering courts to punish those not obeying orders of the courts in order to facilitate quicker disposal of complaints.

Scope of audit

3.2.2. The records of the offices of the Principal Secretary to the Government of Punjab (Food, Civil Supplies and Consumer Affairs Department), the State Commission and four district forums (Amritsar, Hoshiarpur, Jalandhar and Patiala) for the period 2000-01 to 2004-05, were test checked in Audit during the period from April to July 2005. M/s ORG-MARG was commissioned, under intimation (June 2005)to the State Commission, to survey and assess the awareness of the consumers and other stake-holders like manufacturers / service providers, non-government organisations (NGOs) and appropriate laboratories and also to assess the impact of implementation of the Act on them. This survey was conducted between mid-July and mid-August, 2005, covering four districts (Amritsar, Ludhiana, Moga and Patiala) and 1471 consumers, spread across urban and rural areas. In addition, 270 complainants, 10 manufacturers / service providers, two NGOs and two laboratories were also interviewed. Of the sample of four districts selected by Audit and the ORG-MARG, two (Amritsar and Patiala) were common. The findings of the survey are contained in the Executive Summary (**Annexure A** at page 62) to this review. The results of review are contained in the succeeding paragraphs.

Audit Objectives

3.2.3. The main objectives of the review were to assess:

- The extent to which the adjudication mechanism has been created as prescribed in the Act;
- Whether any documented policy for achieving intended objectives and strengthening of infrastructure exists;
- Whether rules governing the implementation of the Act have been formulated and notified and adequate mechanism for administering various Acts for consumer protection exits;
- Whether the infrastructure created for disposal of the complaints met the requirement of the consumers and fulfilled the purpose of the enactment of the Act;
- Whether Consumer Protection Councils were notified and functioning;
- Whether a uniform plan for staffing and operation had been prescribed and was being followed for the district forums and the State Commission;
- Whether various steps and initiatives including schemes by Government of India/State Government had succeeded in creating necessary awareness amongst the populace;

- Whether adequate system of monitoring of grievances of consumers had been created with a view to ensuring their timely disposal.

Audit methodology

3.2.4. All documents at the Government level as well as the State Commission and its lower formations relating to the implementation of the Act and the Rules were studied. The budget and the expenditure incurred were examined. Information on requirement and availability of infrastructure was collected. Physical targets and achievements were also studied at the level of State Commission and the four district forums, selected on random basis. The survey conducted by the consultant was based on structured questionnaire and interviews with consumers at large, complainants and other stakeholders.

Organisational set-up

3.2.5. The Government in the Food, Civil Supplies and Consumer Affairs Department is responsible for establishment of the State Commission and the district forums, their smooth functioning, grant of budget and sanctioning of posts. The district forums are functioning under the administrative control of the State Commission with headquarters at Chandigarh. The latter is under the control of the National Consumer Disputes Redressal Commission (National Commission), New Delhi, for implementation of the Act and Rules. The State Commission and the district forums consist of one President and two Members each, besides ministerial staff.

Inadequacies in creation of the adjudication mechanism in State Commission

Additional benches of State Commission not set-up

3.2.6. In view of the increasing number of pending cases, the State Commission requested (April 1999) the State Government for providing three additional benches followed by a number of reminders between July 2003 and February 2004. However, the State Government while not accepting the proposal pointed out (March 2004) that the pendency was due to the disposal of cases being less than the prescribed norms. They also pleaded their inability in the matter due to the financial crunch in the State. The State Commission, on the basis of the recommendations (May 2004) of the Parliamentary Standing Committee, again took up the matter (May 2004 and June 2004) with the State Government and the GOI respectively. But this did not evoke any tangible response so far (June 2005), resulting in increase in pendency of appeals from 1768 (January 1999) to 4001 (December 2004). On this being pointed out (June 2005) in Audit, the State Commission stated (June 2005) that the matter was under consideration of the Government.

Proposal for second district forums not approved

3.2.7. In July and August 2002, the State Commission requested the State Government for setting up a second district forum in Amritsar and Ludhiana districts respectively for timely disposal of cases. The proposal was rejected in September 2003 and May 2004 by the State Government on the plea of financial crunch in the State. As a result, the pending cases rose from 205 to 877 in Amritsar and 620 to 1260 in Ludhiana during the period January 2000-December 2004.

The on-going financial crunch is frustrating the legislative intent of providing speedy redressal of consumers' grievances as neither additional benches nor more district forums are being set up, the growing pendency notwithstanding.

How the consumers perceive Government's inaction to increase the capacity of the State Commission and the district forums to deal with more cases came out in the survey conducted by the ORG MARG. They reported that almost 89 *per cent* of the consumers responded either that the Government was not doing enough to safeguard consumer rights or that they were not aware of such efforts by the Government.

State Government should provide sufficient funds for creation of additional benches for the State Commission and district forums to provide timely and expeditious redressal to the consumers' grievances.

Formulation of policy and notification of rules

High level of ignorance among consumers about available legal remedies

3.2.8. The Government did not make any specific provision for various infrastructure development works for consumer grievances redressal and adjudication of disputes. Various other agencies like district administration, Municipal bodies and NGOs were also not involved in any such process. No programme/schemes involving such agencies was either formulated or was under implementation.

Rules governing issues of implementation of the Act were notified in November 1987. These rules contained various provisions governing the service conditions of president/members of the State Commission and the district forums but rules governing the staff, including their recruitment rules were not framed. As was resolved in the meeting convened (October 1999) by the President of the National Commission, a uniform procedure for processing of complaints from the date of receipt till their final disposal was to be drawn up by the State Commission/National Commission. Such uniform procedure was not prepared. As a result, divergent practices were followed in filing of the complaints and their processing. In response to audit query, it was stated (September 2005) by the Registrar of the State Commission that complaints were filed and disposed of in the State Commission and the district forums in terms of the provisions contained in rules/regulations framed on the subject. Audit, however, noticed that regulations were framed belatedly in May 2005.

Results of the ORG MARG survey revealed that 69 *per cent* of the complainants had filed their cases using stamp papers although the Act provides for a simple registration process with an application filed on plain paper. Further, 47 *per cent* of the consumers surveyed reported that lawyers are required by both the parties which was not necessary as per the provisions of the Act. Such wrong procedures and wrong and incorrect ideas of consumers can be attributed to the failure to prescribe and disseminate clear rules and guidelines for the public.

State Government need to frame a policy declaring the objectives to be achieved through the consumer welfare programmes with a uniform procedure for processing of complaints.

Adequacy of infrastructure

Absence of permanent buildings for the State commission and district forums

Inadequate infrastructure hampering efficient discharge of duties and responsibilities

3.2.9. On the request of the State Commission, the Estate Officer U.T. Chandigarh allotted (May 1998) them a plot of land costing Rs 85.18 lakh. A sum of Rs 1.16 crore, inclusive of interest and other incidental charges, was paid by the State Commission in instalments during the period June 1999 to May 2003. Thereafter, funds were not provided for construction of building although the same were sought by the State Commission from the State Government every year. The State Commission is actually housed in two small rented buildings for which the annual rent is Rs 4.65 lakh. The rented building was stated by the State Commission (June 2005) to be insufficient for library, record keeping and providing necessary amenities to the consumers.

The district forum, Amritsar, also purchased (January 1999) a plot of land from the Improvement Trust, Amritsar for Rs 8.35 lakh for construction of the forum's office building. Funds required for construction of building in this case were also not provided by the State Government so far (June 2005) though these were requisitioned from time to time. The Improvement Trust, Amritsar had since issued (February 2005) a show cause notice for resumption of the plot as no office building had been constructed within the stipulated period i.e. up to February 2002. The district forum is housed in a rented building and paying rent @ Rs 1.28 lakh per annum. This building was also stated by the District Forum, Amritsar (June 2005) to be insufficient for the proper working of the district forum.

Inability of the State Government to provide basic infrastructure of building is not only proving to be an impediment to the functioning of the adjudication machinery but funds amounting to Rs 1.16 crore and Rs 8.35 lakh also have remained blocked since May 1998 and January 1999, for office buildings at Chandigarh and Amritsar respectively. Absence of a proper building also makes it more difficult for consumers in general to become aware of the existence and the location of the redressal agency.

Results of the ORG MARG survey revealed that only 11 *per cent* of the consumers were aware of the existence of any redressal agency and even out of those who were aware of the Consumer Protection Act, 35 *per cent* were not aware of the location of the consumer forum in their respective districts.

Inadequacy of office equipment

3.2.10. For smooth functioning of the district forums, availability of office equipment viz., fax machines, photocopiers, space for storage of records and library, computers, etc., is necessary and these have to be in proper working order.

It was seen that (i) in the district forum, Jalandhar, the lone photocopier was lying idle since July 2004 as it could not be repaired due to shortage of funds; consequently, there were delays in the issue of notices; (ii) there was no space for library in the district forums at Hoshiarpur and Jalandhar; (iii) the district forums at Amritsar, Hoshiarpur and Jalandhar had no space for record rooms; and (iv) none of the four district forums were equipped with computers. Inadequacy of office equipment hampered efficient functioning of the district forums.

The State Government should provide basic infrastructure like buildings and office equipment for the smooth functioning of the adjudication machinery for ensuring better consumer confidence.

Enforcement mechanism
Consumer Protection Act

Tedious procedure for enforcement of award of compensation by State Commission / district forums

3.2.11. As per Section 25(3) of the Act, where any amount is due from any person under an order made by a district forum or the State Commission, the person entitled to the amount may make an application to the district forum or the State Commission as the case may be, and such district forum or the State Commission, as the case may be, may issue a certificate for the said amount to the Collector of the district and the Collector shall proceed to recover the amount in the same manner as arrears of land revenue.

During test check at the district forum, Patiala it was seen that 44 certificates were issued to the Collector during 2003-05. As per latest position of 35 cases (out of 44) intimated (June 2005) by the Collector to Audit, recovery only in two cases was made up to June 2005. The Collector returned 27 cases stating that the recovery could not be effected due to locked premises (4); incomplete addresses (3); appointment of liquidator by the Hon'ble High Court (13); death of the opposite party (1); amount not mentioned in the certificates (3). No reason was given for three cases. The non-recovery of the decretal amount only highlighted how difficult the enforcement of the forum's order could be in some cases.

3.2.12. Apart from the Consumer Protection Act, there are other laws in force that, properly implemented, result in protecting and furthering the interests of consumers and fair trade. While reviewing the implementation of the Consumer Protection Act in Punjab a test check was also conducted in the selected districts to see if the implementation of the Prevention of Food Adulteration Act, 1954 and the Standards of Weights & Measures (Enforcement) Act, 1985 and the Standards of Weights and Measures (Packaged Commodities) Rules, 1977 were carried out efficiently and effectively.

Prevention of Food Adulteration Act, 1954

Licensing – Issue and renewals

No record of licence issued and no coordination between issuing and enforcement authorities

3.2.13. In terms of the Prevention of Food Adulteration Act, manufacture, sale, stocking, distribution or exhibition for sale of any article of food including prepared food or ready to serve food etc. require a licence to be issued by the concerned local authority or any officer authorised by it. The licence is required to be renewed each year.

Test check of local authorities of Amritsar, Jalandhar, Hoshiarpur and Patiala revealed that the number of licences issued was not available in Hoshiarpur and Jalandhar whereas the records relating to renewal of licences were not maintained at Amritsar and Patiala. In the absence of proper records, there was no assurance if those required to obtain licence had actually done so. Further, there was no coordination between the licensing authorities and the local health authorities (LHA) involving exchange of information pertaining to licensed units to enforce the provisions of the Act against offenders.

Food samples

Shortfall in collection/ processing of samples

3.2.14. Under the provisions of the Act, the Government Food Inspector (GFI) is empowered to (i) take samples of any article of food; (ii) send such samples for analysis to the public analyst; and (iii) prohibit the sale of any article of food, in the interest of public health, with the prior approval of the LHA. The State Government prescribed from time to time the number of samples to be seized in each district.

Based on these norms, the position of seizing of samples in four[10] districts during 2000-2004 was as follows:

Year	Samples to be drawn	Samples actually drawn	Shortfall/Percent
2000	5640	1300	4340 (77)
2001	5640	880	4760 (84)
2002	1740	1129	611 (35)
2003	1740	880	863 (50)
2004	1740	1396	365 (21)

The drawal of samples was grossly inadequate during 2000 and 2001. The district-wise targets as well as of entire State were revised/ reduced during 2002 from 18360 samples per annum to 4860 samples per annum on the plea that due to formation of new districts the area of the respective districts had been reduced. The plea taken by the Department was not acceptable because the number of districts remained the same. However, even the revised/ reduced target (1740) in the four districts test checked was not achieved and the shortfall during 2002-04 ranged between 21 and 50 *per cent*. The LHAs of Hoshiarpur, Jalandhar and Patiala attributed (August 2005) the shortfall in seizing samples due to shortage of staff and lack of financial resources. The LHA Amritsar, however, attributed (August 2005) the shortfall mainly to GFIs remaining busy in watching the quality of food prepared for visiting VIPs. The reply shows inability of the Department to comply with the provisions of the

10 Amritsar, Hoshiarpur, Jalandhar and Patiala.

Act and betrays a lack of sensitivity to the consumers' right to get wholesome, unadulterated and infection-free foodstuff.

Delay in launching prosecution of offenders of adulterated samples

Delay in launching of prosecution against those booked for adulteration

3.2.15. Under section 13(2) of the Act, prosecution is required to be launched by the GFI immediately on receipt of report of adulterated samples from public analyst.

Scrutiny of records of samples found adulterated and prosecutions launched during 2000-2004 in four test checked districts disclosed that out of 781 samples found adulterated, prosecution was launched in 605 cases up to December 2004. Of the remaining 176 cases as on December 2004, the prosecution in 135 cases was launched between January and July 2005 and prosecution in the remaining 41 cases (Jalandhar: 18 and Hoshiarpur: 23) was still (August 2005) to be launched.

A review of court cases launched in respect of adulterated samples and decided by the court during 2000-2004 in respect of the four test checked districts revealed that, while prosecution were launched in 605 cases, 123 cases were decided. Of these 123 cases, only in 53 cases (43 *per cent*) the offenders were convicted.

Standards of Weights and Measures (Enforcement) Act, 1985 and Standards of Weights and Measures (Packaged Commodities) Rules, 1977

Shortage of inspectors

3.2.16. As per rule 15 of the Punjab Standards of Weights and Measures (W & M) (Enforcement) Rules, 1993, weights and measures to be used in any transaction or for industrial production or for protection shall be verified or re-verified, as the case may be, by the Inspector (Weights and Measures). As Inspectors play a key role in enforcement, they should be posted in adequate strength.

During audit in office of the Controller, Legal Metrology Punjab it was seen that there was a huge shortage in the cadre of Inspectors as detailed as follows:-

Year	Number of posts sanctioned	Men in position	Shortfall (Percent)
2000-01	44	31	13 (30)
2001-02	44	26	18 (41)
2002-03	44	25	19 (43)
2003-04	44	22	22 (50)
2004-05	44	21	23 (52)

Shortage of Inspectors increased throughout the period 2000-01 to 2004-05 from 30 to 52 *per cent*. It was further seen in audit that in 2001, the Controller, Weights and Measures, Punjab assessed its requirement of 100 Inspectors for the State on the basis of a report prepared by Directorate of Weights and Measures, Ministry of Industry and Civil Supplies, Government of India in 1977, which assumed that an Inspector attends to about 1500 establishments every year. The sanctioned strength is, thus, woefully short of the requirement for effective enforcement of the Act.

Registration of users of Weights and Measures

Non-maintenance of records affecting consumers' confidence in the Department

3.2.17. Rule 10 of the W & M (Enforcement) Rules, 1993 provides that every person (other than an itinerant vendor) who intends to commence, or carry on, the use of any weight and measures in any transaction or for industrial production or for protection, shall get himself registered with the Department.

During test check of two Divisional Offices at Jalandhar and Patiala out of three[11] in all, it was seen that no records showing number of registered users was maintained in Jalandhar Division due to shortage of staff. It is evident that absence of this basic information rendered the Department weak in enforcement of the Act to the detriment of the interest of consumers and affected consumers confidence in the Department.

Verification of Weights and Measures

Unverified weights and measures can affect consumers' right adversely

3.2.18. Rule 14 of the W & M (Enforcement) Rules, 1993 provides that every weight or measure used or intended to be used in any transactions or for industrial production shall be verified / re-verified and stamped at least once in a year, provided that storage tanks including vats, shall be re-verified or re-calibrated and stamped at least once in five year.

During test check of two Divisional Offices (Jalandhar and Patiala), the number of verifications and re-verifications could not be compared with the number of registered users in the absence of records showing registration of users of weights and measures in Jalandhar Division. In the absence of this record, the Department was also not in a position to ensure that the extent of verifications and re-verifications was adequate. This left scope for continued use of unverified weights and measures by unknown number of offenders.

Non-execution of challans

Huge pendency in execution of challans

3.2.19. Rule 24 of the Punjab Standards of Weights and Measures (Enforcement) Rules, 1993, provides that whoever contravenes any provisions of the rules, for the contravention of which no punishment has been separately provided in the Act, shall be punished with fine which may extend to one thousand rupees. Detection of contravention entailed issuance of challans for deposition of fine or appeal.

During audit it was seen that there was an opening balance of 3184 pending cases as on March 2000 and during 2000-2005, 8875 challans were issued. Out of these (12059), only 8462 cases were compounded leaving a balance of 3597. This pendency was on increase. Reasons called for (August 2005) for such a huge pendency were not received (December 2005).

There is need for close monitoring of working of Collectors to ensure recovery of amounts decreed by the district forums. The system of issue/renewal of

[11] Assistant Controllers, Weight and Measures, Ferozepur, Jalandhar and Patiala.

licences, taking and testing of samples and launching of prosecutions under Prevention of Food Adulteration Act needs improvement to ensure timely relief to consumers. Sufficient staff should be provided in terms of the Rules for registration of vendors, verification of weights and measures and timely execution of challans so that consumers' rights are not affected adversely.

Functioning of Consumer Protection Councils

Consumer Protection Councils not established

Rules for establishment of State Consumer Protection Councils were awaiting approval since 1999

3.2.20. Section 7 and 8A of the Consumer Protection Act, provide that the State Government shall, by notification, establish with effect from such date as it may specify in such notification, a Council to be known as the State Consumer Protection Council (State Council) at the State level and the District Consumer Protection Council (District Council) for every district respectively, to promote and protect the rights of the consumers laid down in clauses (a) to (f) of Section 6 of the Act.

During audit it was observed that State Council and District Councils were not established despite the fact that the Finance Department gave its consent (July 2003) to the Administrative Department for the constitution of State Council. The Punjab State Consumer Protection Rules, 1999 framed by the Food and Supply Department for the purpose for notifying formation of State Consumer Protection Council were awaiting approval (August 2005) of the Finance Department of the State. However, reasons for non-setting up of the councils had been called for (July 2005) from the Food and Supply Department; reply is still awaited (December 2005). The councils were meant for promoting and protecting the right of consumers by dissemination of information and through consumer education. These were also supposed to ensure that the consumer interests would receive due consideration at appropriate forum. Despite passage of more than three years, this Council had not been set up in the State which also has direct linkage to lack of awareness with regard to consumer protection as also skewed profile of complainants with majority belonging to urban area and well earning groups.

Results of the survey revealed that out of those aware about consumer rights, 62 *per cent*[12] acquired such knowledge from resources as friends and neighbours, 0.2 *per cent* had come to know from NGOs, 55 and 17 *per cent* through electronic and print media respectively. The profile of the complainants who were surveyed revealed that almost all resided in urban areas and practically all were educated with average monthly house hold income of Rs 14,525. This implied that the facilities provided by redressal agencies were availed of mostly by the urban middle/ upper middle strata of the community. Thus, the basic purpose of legislative enactment was not really addressed through the Consumer Protection Act.

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12 Some consumers came to know about their rights from more than one source and are included in more than one source. Hence more than 100 per cent.

Consumer Protection Councils should be established for promoting and protecting the rights of consumers by dissemination of information through consumer education.

Adequacy of staffing and funding operations

Additional staff not provided

Failure to recruit additional staff

3.2.21. In pursuance of recommendations of a committee constituted (October 1999) for reviewing the functioning of the consumer forums, the requirement of certain additional staff for the State Commission and the district forums was forwarded (December 2001) by the State Commission to the State Government but the same was not provided so far. The following table shows the position:

State Commission

Sr. No.	Post/designation	No. of posts		
		Required	Already existing	Additional to be sanctioned
1.	Administrative Officer	1	-	1
2.	LDC (LS)	17	2	15
3.	Daftry	2	--	2
4.	Despatch Rider (Process Server)	1	--	1
5.	Peon	10	7	3
	Total	**31**	**9**	**22**

District Forums

Sr. No.	Post/designation	No. of posts		
		Required	Already existing	Additional to be sanctioned
1.	Private Secretaries	17	--	17
2.	UDC (Jr. Assistant)	23	17	6
3.	LDC	23	17	6
4.	Receipt & Despatch clerk	17	--	17
5.	Peon	58	51	7
6.	Chowkidars	7	--	7
7.	Dispatch Rider (Process Server)	17	--	17
	Total	**162**	**85**	**77**

Against the requirement of 31 and 162 officials in the above cadres in State Commission and district forums, the shortfall was to the extent of 22 and 77 officials in the State Commission and district forums respectively. The State Government was requested (July 2005) to intimate the reasons for not providing the requisite staff. The reply has not been received so far (December 2005). The recommendations of the Committee for providing additional staff remain unimplemented, affecting operational efficiency of the machinery.

Rules not framed

3.2.22. As the consumer courts are performing quasi-judicial functions, their members are entitled to qualified and able administrative and ministerial

Absence of recruitment rules raises question of suitability of staff for appointment

support for efficient functioning. It is imperative, therefore, to frame appropriate recruitment rules for appointments to various levels in the office hierarchy. No rules, however, are in existence for ensuring that the administrative and ministerial posts are manned by qualified and suitable personnel. Moreover, charter of duties have not been prescribed.

It was seen during test check that two Superintendents joined on deputation (November 2001) at district forums, Hoshiarpur and Patiala, were appointed (November 2003) afresh and subsequently relieved (March 2004) following State Government's refusal to approve their terms of appointment. Feeling aggrieved, they filed a writ petition in the Hon'ble Punjab and Haryana High Court and got stay (April 2004) of execution of the orders of the Commission. The case is still pending in the Hon'ble Court. Such avoidable litigation and *ad hocism* arise from prevailing confusion due to absence of recruitment rules. Consequently, it affects the morale of the staff and promotes inefficiency.

Inadequate funds for efficient working of forums

3.2.23. Budget provided by the State Government and expenditure incurred therefrom during last five years from 2000-01 to 2004-05 for the State Commission and all the district forums was as under:

(Rupees in lakh)

Year	Financial outlay			Expenditure		
	Non Plan	Plan	Total	Non Plan	Plan	Total
2000-01	251.29	7.00	258.29	241.80	5.36	247.16
2001-02	325.98	7.00	332.98	304.96	5.08	310.04
2002-03	311.27	8.00	319.27	310.11	7.54	317.65
2003-04	330.64	9.00	339.64	293.45	8.61	302.06
2004-05	339.95	10.00	349.95	317.61	8.13	325.74

From the figures tabulated above, it is evident that the provision under Plan has been insignificant. No funds were made available for construction of office buildings during the last five years. The provision under non-Plan is mainly for meeting expenditure on salary, rental, office expenses, etc. Under the non-Plan the average expenditure on salaries was to extent of 89 *per cent*. The provision for office expenditure for purpose of meeting contingency, electricity bills, telephone bills was on average Rs 3.14 lakh per month during the above period. The funds were inadequate for providing basic amenities such as furniture for consumers and public. Further, due to paucity of funds the telephone bills were also pending for six months. The bulk of office expenditure was towards postage and stamps and here also the funds were inadequate to meet out the expenses as were stipulated as discussed below:

Improper procedure for service of notice due to paucity of funds

Insufficient funds hampering issue of notices in the prescribed manner

3.2.24. Section 28A inserted in the Act (2002) provides that the service of notices may be made by delivering or transmitting a copy thereof by registered post acknowledgement due, duly addressed to the opposite party against whom complaint is made or to the complainant by speed post, by such courier service as are approved by the district forum or the State Commission as the case may be or by any other means of transmission of documents, including fax messages.

It was seen that in all the four districts test checked, the notices were issued through ordinary dak in contravention of the provisions of the Act. This was attributed to shortage of funds for the purchase of postage stamps.

State Government should make arrangements for providing additional staff for State Commission and district forums. Sufficient funds need to be allocated for providing basic amenities such as furniture for consumers and public and purchase of postage stamps.

Awareness and empowerment of consumers

Consumer Welfare Fund

Consumer Welfare Fund not established

3.2.25. The Government of India set up (1992) the Consumer Welfare Fund to provide financial assistance to Voluntary Consumer Organizations, NGOs and State Governments etc. for promoting, protecting the welfare of consumers, generating consumer awareness and strengthening consumer movement in the country, particularly rural areas. It was observed that an outlay of Rs. 10 lakh provided for the year 2004-05 for the purpose of providing financial assistance to promote and protect the welfare of consumer and strengthening voluntary consumer movement in rural areas. These funds were not released and reappropriated at the end of the fiscal year. Similarly an outlay of Rs 11 lakh had been provided in the year 2004-05 for organising two seminars at every district level for generating awareness among the consumers in the State. No seminars were organised and funds were reappropriated at the end of the fiscal year. The Directorate of Food and Supply who was the nodal agency for the purpose of budgeting and expenditure control, did not have any information pertaining to sanction of funds to NGO's and the utilisation of funds by them under specific schemes of Central Government.

Audit scrutiny in State Secretariat revealed that District Consumer Information Centres (DCICs) were not set up in any district of the State under the fund. This was despite the fact that for setting up of DCICs, the Central Government had launched a specific scheme wherein, based on the proposals received from Zila Parishads or Voluntary Consumer Organisations through the State Government, funds were to be provided for setting up and running DCIC in each district. However, four DCICs were running in the State by the NGOs from their own resources. No grant in aid was released to them under the scheme by GOI/State Government. The scheme has since (August 2004) been deferred by the GOI for the time being. GOI formulated a scheme for the purpose of research and the promotion in respect of the consumer protection and consumer welfare in colleges, universities and research bodies in the State. However, no institution in the State came forward (March 2005) to implement the scheme.

No action to implement the scheme of consumer awareness was taken by the Department frustrating the very purpose of the Fund. Lack of activities and absence of funding adversely impacted the cause of consumer awareness in the State.

Results of the ORG MARG survey revealed that 64 *per cent* of the consumers were not aware of their rights as consumers and 91 *per cent* were still unaware of the Consumer Protection Act. The Act envisaged to benefit all the consumers in urban and rural areas, but only seven *per cent* of the rural population had heard about it. The analysis further showed that among those who were aware of the Act, most belonged to the educated lot (13 *per cent*), self employed (20 *per cent*), students (18 *per cent*) and retired (26 *per cent*). This was despite the fact that results of the survey revealed that 72 *per cent* of the consumers at large believed that it is important for every consumer to know about his rights. They opined that knowledge of consumer rights will help the consumers in getting good quality products/services (73 *per cent*) and consumer will not be cheated on price (83 *per cent*). The opinion is similar across urban and rural respondents. Very low level of expenditure on advertisement and publicity contributed towards the low level of awareness as discussed below.

Advertisement and Publicity

3.2.26. One of the objectives of the Act was "right to consumer education", i.e. educating the consumers about the Act/Rules, procedure of filing the complaints and the place where to file it (exact location of the organisation in each district and at State level) through advertisement and publicity through print and electronic media. There was only expenditure of Rs. 5.12 lakh during 2000-05 on advertisement and publicity out of Rs. 8.04 lakh provided by Government for educating the consumers for their rights. The bulk of this expenditure every year was on celebration on consumer welfare day and thus the negligible expenditure was on a one time occasion and there was absence of any concerted and sustained efforts for awareness generation round the year.

3.2.27. The deterrent aspect of the Consumer Protection Act, 1986 was also surveyed. The findings of the survey revealed that 14 *per cent* of the respondents, who had faced problems with products or services had initially complained to the concerned retailer or manufacturer. Of these complaints, 70 *per cent* reported to have succeeded in obtaining redressal in the form of refund/replacement of goods or removal of defects or compensation for damages. Out of the complainants, who had gone on to the adjudication mechanism set up through this Act, 18 *per cent* agreed to out of court settlement after filing complaints in the form of restoration of services, removal of deficiencies or cash compensation. These cases of out of court settlement were partly on account of suggestions made by the forums and also because of the anticipated delay in resolving the issue through the forums. Improving the awareness of consumers as well as traders and service providers can only increase the deterrent impact of the Act.

There is need for generating awareness among the people of both urban and rural areas through advertisements and publicity through electronic and print media to make the consumers conscious of their rights and regarding the sources which could be helpful in protection of their rights.

Monitoring mechanism

No third party evaluation of Departments' activities

3.2.28. GOI issued (July 1995) instructions while considering the request of various states for the grant of one time financial assistance to clear the pendency of cases and fixed norms for the daily disposal of 10 cases which did not include adjournment cases. In case laid down norms of disposal were not achieved, some penalty for inefficiency was ordered to be devised. Further, a daily achievement report was required to be submitted to the National Commission for monitoring.

During test check it was seen that there is no column showing daily disposal or showing reasons for delay or non-achievement of the prescribed number of disposals in the return prescribed by the National Commission for reporting on disposal of cases. Thus, no effective monitoring system was in place. The position of pendency of cases in the State Commission and district forms is given below:

State Commission

Year	Opening balance		No. of cases filed		Total no. of cases		No. of cases disposed of		Percentage of disposal	
	O.C[13]	A[14]	O.C.	A	O.C.	A	O.C.	A	O.C.	A
2000-01	150	1847	91	1265	241	3112	52	1174	22	38
2001-02	189	1938	146	1482	335	3420	95	1030	28	30
2002-03	240	2390	91	1764	331	4154	153	1551	46	37
2003-04	178	2603	27	1693	205	4296	75	902	37	21
2004-05	130	3394	39	1824	169	5218	27	965	16	18

District Forums

Year	Opening balance	No. of complaints filed	Total No. of cases	No. of complaints disposed of	Percentage of disposal
2000-01	3482	10048	13530	8290	61
2001-02	5240	9139	14379	8921	62
2002-03	5458	9481	14939	9269	62
2003-04	5670	10725	16395	9793	60
2004-05	6602	9828	16430	8854	54

Rising number of pending cases

The number of pending appeals and original complaints were, thus, increasing each year in the State Commission and the district forums though a substantial proportion of complaints and appeals were disposed of by the Commission as well as the district forums. In district forums, the average number of complaints filed has been 9844[15] and disposal at 9025[16] per year, showing 92 *percent* disposal in a year. Despite heavy disposal, the overall pendency during the period nearly doubled from 3482 in 2000-01 to 6602 in 2004-05. The objective of speedy redressal of consumer grievance was, thus, only partly achieved. To ensure speedy redressal, there exists a need to augment the adjudication mechanism by setting up of service specific redressal machinery and providing of additional infrastructure.

13 Original complaints
14 Appeals
15 10048+9139+9481+10725+9828/5
16 8290+8921+9269+9793+8854/5

Results of the ORG MARG survey revealed that the majority of the complaints were against services (88 *per cent*) such as electricity (46 *per cent*), other financial services (24 *per cent*) and insurance services (11 *per cent*). This may imply that competition in the product market does take care of the consumer problems but in case of monopolistic situation the consumer has to approach consumer redressal agencies to seek relief against the government owned service providers, agencies, public utility concerns, boards and organisation.

Cases taking more time for disposal

3.2.29. It was seen that the time taken for disposal of cases was as under:

Sr. No.	Name of the unit	Total no. of complaints disposed during January 2000 to December 2004	No. of cases due to be decided within		No. of cases decided within			Percentage of cases decided within		
			90 days	150 days	90 days	150 days	More than 150 days	90 days	150 days	More than 150 days
1.	State Commission	398	398	Nil	29	27	342	7	7	86
	District Forum									
1	Amritsar	7186	7186	Nil	3189	1982	2015	44	28	28
2	Hoshiarpur	2434	2434	Nil	1704	430	300	70	18	12
3	Jalandhar	2282	2282	Nil	441	451	1390	19	20	61
4	Patiala	3887	3884	3	1493	855	1539	38	22	40

Prolonging of the cases works against the basic objectives of the Act and increases the cost of litigation, which also is against the basic tenet of the Act.

An analysis of the time taken at various stages of the cases during the ORG MARG survey showed that on an average 2.1 days were spent for registering a case and 11.6 days were taken for serving the notice, the first hearing was held after 14.8 days. On an average 3.7 hearings were required to resolve the case. Around 15 per cent of cases were still unresolved even after 5.2 hearings and most of these cases were against electricity Department (41 *per cent*). Further analysis of the data reveals that to resolve a case on an average 6.2 months were spent. Results of the survey further revealed that, on an average, the complainant had to spent Rs 2,645 to resolve the case of which a large proportion (average amount of Rs 1,822) comprised of the advocates' fees.

Conclusion

3.2.30. The legislative intent of the Parliament to empower the consumer has only been partially achieved in the State of Punjab. This is mainly attributable to the inability of the State Government to provide adequate infrastructure – both proper office buildings and equipment – mainly due to the State Government's financial constraints. The role of the Weights and Measures Department in ensuring delivery of rights to consumers was negligible as even records of registered vendors and verification of their weights and measures was not maintained by the Department. The enforcement of the Prevention of Food Adulteration Act was slow affecting the consumers' interest adversely. The consumers at large were not aware of the system and procedures of redressal machinery. Consumer Protection Councils were not set up to monitor and promote consumer awareness and steps needed to be taken for generating awareness among people through advertisement and publicity to make consumers conscious of their rights and aware of the procedure to secure the same.

Recommendations

To ensure a visible impact of promotion of consumers' rights and awareness, the government as a first step should expeditiously create adjudication mechanism with infrastructure commensurate with the work load and pendency of cases.

For smooth and better functioning of the organisation, like prompt disposal of cases, effective implementation of the forum's decision to recover the decretal amount and evolving proper monitoring and evaluation system, sufficient staff, additional benches, infrastructure for the office as well as appropriate office equipment should be provided by the State Government. The working of the Weights and Measures Department as well as the machinery for prevention of food adulteration need improvement and monitoring. For spreading awareness among consumers about (i) their rights and responsibilities; (ii) procedure of filing the complaints; and (iii) the location of the Consumer Courts, adequate budget should be provided for advertisement and publicity at regular intervals. Consumer Councils should be established without further delay.

The matter was referred to the Government in July 2005; their reply is awaited (December 2005).

Annexure-A
(Refers to Paragraph 3.2.2, Page 46)

EXECUTIVE SUMMARY

In order to gain an understanding of the functional status of the Consumer Protection Act Consumers at large, Complainants, manufacturers /service providers, NGOs and appropriate laboratories were covered under the survey. In state of Punjab a total of 1471 consumers spread across urban and rural areas were contacted. Besides 270 complainants, 10 manufactures/ service providers, 2 NGOs and 2 laboratories were interviewed. The survey was conducted during mid July to mid August 2005.

FINDINGS OF THE SURVEY

- Overall 71 percent of the Consumers at large gave importance to knowledge of the Consumer Protection Act (CPA) but 64 percent were not aware of consumer rights and 91 percent still unaware of the Consumer Protection Act.

- The Act is envisaged to benefit all the consumers in urban and rural areas but only 7 percent of the rural population has heard about it.

- In response to, whether the government is making any effort in safe guarding the consumer rights, only 11 percent replied positively remaining either carrying negative or have no idea of the same.

- Formal source of awareness - electronic and print media stand at 55 and 17 percent respectively and only .2 percent learnt about CPA from the NGOs.

- Majority of the aware Consumers at Large (50 percent) have come to know about the act only in the last 2-3 where as the act has been in existence for past 19 years.

- Overall, only 11 percent reported to be aware of the existence of any redressal agency. Awareness on this among those aware of rights and CPA was obviously higher.

- Around 35 percent aware of CPA did not know the location of the redressal agency in their respective district.

- Almost all complainants resided in urban areas and except one rest were the educated lot and earned a monthly household income of Rs. 14525. This implied that facilities provided by redressal agencies were availed mostly by residents of urban areas and that too by the middle /upper middle strata of the community.

- Majority of the complaints were against services (88 percent) such as electricity (46 percent), other financial services (24 percent) and Insurance services (11 percent). This may imply that competition in the product market take care of the consumer problems but in case of monopolistic situation the consumer has to approach consumer redressal agencies.

- Like Consumer at large, majority of complainants (95 percent) came to know about the redressal agencies through friends / neighbours. Electronic and press media do not seems have been very instrumental in creating awareness on redressal agencies. NGOs not a popular source of awareness (<8 percent).

- Sixty nine percent of the complainants used stamp paper to file the case and in majority of cases (91 percent) the lawyers /agents advised them to do so.

- Around 50 percent of complainants who registered their complainant prior to March 2003 reported to have deposited court fee notwithstanding the fact that the court fee was introduced only in March 2003.

- An analysis of time taken at various stages of the cases show that on an average 2.1 days were spent for registering a case and 11.6 days were taken for serving the notice; first hearing was held after 14.8 days.

- On an average 3.7 hearings were required to resolve a case. Around 15 percent of cases were still unresolved even after 5.2 hearings and most of these cases were against electricity Department (41 percent).

- To resolve a case on an average 6.2 months were spent. In case of unresolved cases the same were pending for past 29 average months.

- There were 7 cases where the decree was passed and compensation was yet to be received. On an average the compensation was due for 7.4 months. For those received compensation the same was received within an average period of 1.4 months.

- On an average a complainant had to spent Rs 2645 to resolve the case of which a large proportion (average amount of Rs 1822) comprised of the advocates fee.

- The manufacturers and service providers were well aware of CPA and most of them had formal mechanism to deal with cases in consumer court on the contrary not many Consumers at large were aware of Act or the redressal system.

- The NGOs are involved in a spate of activities such as consumer education, advocacy, organising seminars /camps etc. They are also facilitating the consumers in filing cases and act as agents.

- Overall all the stakeholders and the complainants perceive the redressal as simple but not very speedy and economical.

3.3. Cash Settlement Suspense Account and Material Purchase Settlement Suspense Account

PUBLIC WORKS DEPARTMENT (BUILDINGS AND ROADS BRANCH), IRRIGATION, WATER SUPPLY AND SANITATION DEPARTMENT

Highlights

> ***There was a balance of Rs 60.50 crore outstanding under CSSA (Rs 57.52 crore) and MPSSA (Rs 2.98 crore) pending clearance.***

(Paragraph 3.3.5)

> ***In 26 Divisions, there were credit balances totalling Rs 8.52 crore pertaining to period from July 1965 to February 2005 under the suspense head (CSSA).***

(Paragraph 3.3.12)

> ***Advance payments of Rs 1.28 crore made for execution of works, were not adjusted in the absence of receipt of B.T. Bills.***

(Paragraph 3.3.13)

> ***In 12 Divisions, claims of Rs two crore for the materials supplied were not preferred against the responding Divisions.***

(Paragraph 3.3.15)

> ***In 10 Divisions, claims of Rs 1.99 crore for the materials supplied were preferred late by one month to 120 months against the responding Divisions.***

(Paragraph 3.3.16)

> ***In 35 Divisions, cash amounting to Rs 48.05 crore was unauthorisedly transferred through CSSA, out of which Rs 13.35 crore was still awaiting clearance.***

(Paragraph 3.3.17)

Introduction

3.3.1. As per the provisions of the Central Public Works Accounts Code (Code), the accountal of transactions booked under suspense heads is to be followed by the States. As per the list of major and minor heads of account, State PWD had to follow the provisions of the Central Public Works Accounts Code as far as suspense head accounts are concerned. As per the Code, the cost of material supplied or services rendered (including those pertaining to work done), by one Public Works Division to another is initially classified under the head Cash Settlement Suspense Account (CSSA) and is required to be settled by the Divisions amongst themselves within 10 days of the receipt of the claim, by payment through cheque/ bank draft from the responding Division by the Division making the supply or rendering the service. At the close of the year, all the expenditure should be booked to the final head of account by clearing the suspense head and normally there should be no balance under the suspense head. To achieve this object, outstanding items should be reviewed periodically by the divisional officers to see that settlements are not unduly delayed. The outstanding balances represent outstanding liabilities of the responding Division and their non-adjustment indicates that expenditure to that extent had remained unaccounted for under the final heads of account. Consequently to that extent, the excesses and surrenders against grants and appropriations of the year do not represent a true picture.

To meet the requirement of materials for construction and maintenance, it is customary for Divisions to procure materials either from the Central Stores Division or from other Divisions and in case the payment on account of the material is not made in the same month in which the material is received, such transactions are watched through the Material Purchase Settlement Suspense Account (MPSSA) by both the responding and the originating Divisions. The items remaining unadjusted for long periods facilitate concealing frauds as well as pilferage besides rendering verification of material and services supplied or received increasingly difficult. Non-settlement of such suspense heads not only distort accounts, but also provide unintended immunity for erring officials.

Organisational set-up

3.3.2. The Departments[17] are under the administrative control of the Secretaries. At the operational level, these are headed by Chief Engineers who are assisted by Superintending Engineers in circle offices and Executive Engineers in Divisions. Each Division has a Divisional Accounts Officer. Besides performing accounting function he is also required to render financial advice, if called upon to do so, to the Executive Engineer.

Scope of Audit

3.3.3. Out of 211 Divisions (B&R: 85, Irrigation: 78 and Water Supply and Sanitation (WSS): 48), records of 64 Divisions listed in ***Appendix-XXI*** (B&R: 22, Irrigation: 28 and WSS: 14) were test checked in audit during October 2004 to April 2005. The period covered in audit was 2000-01 to 2004-05.

Audit objectives

3.3.4. The objective of audit was to see whether:

- Outstanding balances were reviewed periodically and steps taken to clear them;
- Bills for services rendered or works done or material supplied were promptly raised by the originating Division and accounted for in its accounts by the responding Division;
- Services rendered to autonomous bodies and civil Departments were realised in cash and not classified under CSSA;
- Cash transfers had been incorrectly made through CSSA;
- Any management information system existed for exercising supervisory control.

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17 Public Works (B&R), Water Supply and Sanitation and Irrigation.

Outstanding balances

3.3.5. The year-wise balances outstanding as on 31 March 2005 under CSSA and MPSSA in the State as per the accounts were as under:

(Rupees in crore)

Year	CSSA				MPSSA			
	Opening Balance (Debit)	Debit	Credit	Closing Balance (Debit)	Opening Balance (Credit)	Credit	Debit	Closing Balance (Credit)
2000-01	21.92	64.81	49.94	36.79	3.41	1.51	1.84	3.08
2001-02	36.79	94.71	92.69	38.81	3.08	4.16	5.26	1.98
2002-03	38.81	143.61	135.43	46.99	1.98	1.92	1.07	2.83
2003-04	46.99	58.65	61.11	44.53	2.83	0.24	0.17	2.90
2004-05	44.53	63.51	50.52	57.52	2.90	0.18	0.10	2.98

The Division which has supplied the material or has rendered service raises debit against the Division to whom the material or service has been supplied or rendered. The payment is watched on the receipt of credit afforded by cheque to square the debit. Similarly, a Division which has made advance payment for material or service to be rendered raises credit against the Division which has to supply material or render service and upon receipt of material or the bills the credit is squared against the debit. Further, this procedure involves operation of different suspense heads to book the transactions in the accounts of both originating/ supplying and responding/ receiving Divisions and leads to the failure of the system due to its not being followed properly at some stage or other and also creates a tendency on the part of the responding Division, not to give due priority to such settlements.

As per the codal provisions, the responding Division is required to ensure the payment within 10 days of raising of Book Transfer bills (BT bills) by the originating Division that has rendered the service. Similarly, credit is required to be watched and to be adjusted against submission of bills by the Division, which has undertaken the work. Outstanding debits to the tune of Rs. 63.51 crore as on 31 March 2005 indicate that clearances are not being effected in a time bound manner.

Though rules provide that these items should be cleared within 10 days from the receipt of claim and there should be nil balance under these heads at the end of every month, no internal control mechanism such as submission of periodical returns to higher authorities for monitoring at appropriate level, periodical meetings to clear these items etc., was evolved. As a result, balances under the CSSA not only persisted but showed an upward trend. The Government of India had dispensed with (March 1993) the operation of minor head CSSA/MPSSA w.e.f. 1.4.1993. On the same pattern, the Accountant General (Accounts & Entitlements) had suggested (September 2002 and December 2004) to State Government to adopt the 'Cash and Carry System' in these Departments of the State. The decision of the Government on the issue is still awaited (May 2005). In view of this alarming position of balances under suspense heads early decision on the issue is recommended to be taken. It was observed in audit that initial record keeping and system of watch over clearances and reconciliation was deficient as discussed in subsequent paragraphs which had led to non-liquidation and adjustment of amounts outstanding under MPSSA & CSSA.

Non-reconciliation of balances

As per para 12.20 of the Punjab Budget Manual 3rd Edition, the Head of the Department is required to reconcile the figures monthly with those recorded in the books of the Accountant General (Accounts & Entitlements), Punjab.

3.3.6. In 29 Divisions test checked (B&R, Irrigation and WSS) the differences in the balances as on March 2005 under the head CSSA and MPSSA as per broadsheets maintained by the Accountant General (Accounts & Entitlements) Punjab, Chandigarh and as per the schedules appended to the monthly accounts of these Divisions were not reconciled. The broadsheet reconciles the debits booked by a Division with the corresponding credits of the Division for which service has been rendered or material supplied. In the absence of reconciliation the possibility of debits which are not duly backed by rendering of service or supply of goods to the corresponding Divisions against which debit had been raised exists. As a result, the possibility of fictitious transfer of material, stock and rendering of service exists as the corresponding Division may not have either requisitioned or received the supply of material/ service.

On this being pointed out (October 2004-April 2005), no reasons for non-reconciliation of balances and discrepancy in the two sets of accounts were furnished by the Divisional Officers (August 2005).

Non-maintenance of records

Rules provide that as and when transactions under CSSA take place, those are to be entered into the 'Outward Claim Register' and posted in a "Division-wise Register of Transactions adjusted under the head CSSA" maintained by the originating Division in the prescribed Form-I. The copy of Form-I is to be sent to the responding Divisions along with supporting documents of claims. The responding Division after verifying the claim will enter the same in the 'Inward Claim Register' maintained by them. Further, the Code provides that the Division-wise register of transactions should be reviewed by the Divisional Officer monthly to enable him to see that (i) the registers are properly maintained; (ii) there is no inward claim outstanding for more than 10 days without sufficient reasons; and (iii) prompt action is taken by the office to send the outward claims.

3.3.7. Forty four Divisions (B&R:11, Irrigation: 23 and WSS: 10) had not maintained either inward or outward claim registers, whereas six Divisions of B&R did not maintain inward claim registers in the absence of which neither the acceptance or accountal by the responding Divisions could be ascertained nor payment thereof could be watched.

3.3.8. Further, three Divisions[18] had not even prepared the schedule of CSSA showing Division-wise monthly abstract of balances whereas at the end of March 2005, as per monthly accounts submitted by them, an amount of Rs 10.17 crore was recoverable by them from the other responding Divisions. How the clearance would be watched in the absence of the details was totally unclear.

On this being pointed out, the Divisional Officers stated (October 2004 to April 2005) that the register would be maintained in future.

Incomplete details/documents

3.3.9. In 11 Divisions there were debit balances of Rs 23.07 lakh outstanding under CSSA but complete details or documents of transactions were not available with them. In the absence of details/relevant documents of the transactions, the possibility of realisation of the amount outstanding against other Divisions had become remote.

On this being pointed out (October 2004 to March 2005), the Divisional Officers of Store Procurement Division Irrigation Branch (IB), Chandigarh, Provincial Division PWD (B&R), Gurdaspur and Construction Division, Ropar stated (October 2004 and November 2004) that sanction to write off the amount was awaited. However, the full details of how the proposals for write off were prepared and submitted were not shown to audit. Final reply from other Divisions had not been received (December 2005).

3.3.10. The year-wise balances under CSSA awaiting clearance in the Divisions test checked were as under:

(Rupees in crore)

Year	Buildings & Roads Department				Irrigation Department				Water Supply & Sanitation Department				Grand Total
	O.B. Dr.	Dr.	Cr.	C.B. Dr.	O.B. Dr.	Dr.	Cr.	C.B. Dr.	O.B. Dr.	Dr.	Cr.	C.B. Dr.	Dr.
2000-01	4.71	4.17	5.31	3.57	0.29	3.18	0.77	2.70	3.06	23.19	15.43	10.82	17.09
2001-02	3.57	1.80	2.53	2.84	2.70	32.60	26.32	8.98	10.82	19.49	22.09	8.22	20.04
2002-03	2.84	1.97	1.80	3.01	8.98	55.98	58.80	6.16	8.22	26.72	21.51	13.43	22.60
2003-04	3.01	3.00	1.10	4.91	6.16	8.52	10.89	3.79	13.43	19.15	14.75	17.83	26.53
2004-05	4.91	2.90	4.52	3.29	3.79	7.17	7.13	3.83	17.83	9.20	7.79	19.24	26.36

It was observed in the test checked Divisions that these balances were on account of erroneous accounting as brought out in the succeeding paragraphs.

Irregular transactions under CSSA

3.3.11. In 10 Divisions, the cost of material worth Rs 37.21 lakh (B&R: Rs.2.77 lakh, Irrigation: Rs 33.21 lakh and WSS: Rs 1.23 lakh) procured from other Divisions between January 1981 and August 2003 was not paid in the

18 Water Supply and Sanitation Mechanical Division, Faridkot: Rs 7.29 crore, Water Supply and Sanitation (Mechanical) Division, Hoshiarpur: Rs 2.04 crore, Water Supply and Sanitation (GW) Division, Patiala: Rs 83.66 lakh.

same month in which received and was shown incorrectly as credit balances under the suspense head CSSA instead of under the suspense head MPSSA.

On this being pointed out (March 2005), Divisional Officer Janauri Chohal Construction Division, Hoshiarpur and Central Works Division, Hoshiarpur stated (February and April 2005) that MPSSA is not being operated now. The reply is not acceptable as no such decision has been taken by the State Government so far. Other Divisions did not reply (December 2005).

Credit balances under the head CSSA

Credit balances represent outstanding liabilities of the responding Divisions and non-adjustment thereof indicates that expenditure to that extent remained unaccounted for under the final heads of account.

In 26 Divisions, there was credit balance of Rs 8.52 crore under CSSA which could not be charged to final head

3.3.12. In 26 Divisions, credit balance of Rs 8.52 crore (B&R: Rs 0.24 crore, Irrigation: Rs 2.43 crore and WSS: Rs 5.85 crore) on account of non-adjustment of cash received (Rs 7.66 crore), services rendered (Rs 0.81 crore) and less material supplied (Rs 4.65 lakh) against receipt of advance payment during the period from July 1965 to February 2005 were appearing under the CSSA as of March 2005. Thus, expenditure to that extent could not be charged to the final heads of account.

This was pointed out in November 2004 and April 2005; final reply had not been received (December 2005).

Non-adjustment of advance payments

3.3.13. Rules provide that advance payments made by one Division to another for execution of work should be adjusted within the same financial year.

Advance payments amounting to Rs 1.28 crore made for execution of works etc. were awaiting adjustment for the last two years to 20 years

Advance payments amounting to Rs 1.28 crore (Irrigation: Rs 1.25 crore and WSS: Rs three lakh)[19] made by five Divisions to 12 other Divisions for execution of works during the period between March 1985 and July 2003 were still awaiting adjustment (May 2005) in the originating Divisions though a period of two years to 20 years had passed.

On this being pointed out (February 2005), two Executive Engineers (Jalandhar Drainage Division, Jalandhar and Ludhiana Drainage Division, Ludhiana) stated (February 2005) that the amount of advance payments would be adjusted after receipt of Book Transfer (BT) Bills whereas the remaining three Executive Engineers stated that reply would be furnished after verification of records.

Irregular transactions with Autonomous bodies/civil Departments

3.3.14. The suspense head "CSSA" is primarily intended to deal with the transactions of material supplied or services rendered between the Public Works Divisions rendering account to the same Accountant General. The operation of suspense head CSSA was thus exclusively meant for works

19 Drainage Construction Division, Ferozepur: Rs 24.00 lakh, Kandi Area Dam Maintenance Division, Hoshiarpur: Rs 19.97 lakh, Jalandhar Drainage Division, Jalandhar: Rs 0.58 crore, Ludhiana Drainage Division, Ludhiana: Rs 22.86 lakh WSS(RWS) Division, Amritsar: Rs three lakh.

In 11 Divisions, services worth Rs 21.40 lakh rendered between 1971 and 2003, to autonomous bodies and civil Departments were not realised in cash and were wrongly classified under CSSA

undertaken on behalf of other PWD Divisions and works done on behalf of other autonomous bodies or civil Departments of State Government were to be considered as deposit works for which the modality of payment was through cash. In disregard to this provision it was observed that 11 Divisions ***(Appendix- XXII)*** rendered services valuing Rs 21.40 lakh (Irrigation: Rs 10.43 lakh and WSS: Rs 10.97 lakh) to the autonomous bodies and civil Departments during the period from 1971 to July 2003 and debited the same unauthorisedly to CSSA instead of realising the amount in cash. This resulted in non-realisation of Rs 21.40 lakh as instead of obtaining cash as per procedure for deposit works the payment is now being obtained through CSSA. As a result, an amount of Rs. 21.40 lakh pertaining to earlier periods had remained unrealised; this included some amount outstanding for 34 years.

On this being pointed out (between November 2004 and April 2005), five Divisional Officers (Irrigation: one and WSS: four) stated (between November 2004 and April 2005) that efforts would be made to effect recovery at the earliest. The reply was not acceptable because the transactions were required to be made at the first place in cash with autonomous bodies and other civil Departments and routing of the same through CSSA was irregular. Reply from other Divisions had not been received (December 2005).

Failure to or delay in preferring claims

As per rules, the originating Division shall prefer claims against the responding Division immediately after closure of the monthly accounts in which the transaction takes place. On receipt of the claim, the responding Division would enter the claim in the "Register of Claims Received" and ensure payment within 10 days.

In 12 Divisions claims of Rs two crore for the material supplied were not preferred

3.3.15. In 12 Divisions ***(Appendix-XXIII)***, in 118 cases, claims of Rs two crore for the materials supplied (B&R: Rs 31.69 lakh, Irrigation: Rs 1.33 crore and WSS: Rs 35.29 lakh) during the period between April 1967 and March 2005 were not preferred (May 2005).

In 10 Divisions claims of Rs 1.99 crore were preferred late by one to 120 months

3.3.16. In 10 Divisions ***(Appendix- XXIV)***, in 62 cases, claims for Rs 1.99 crore (B&R: Rs 50.70 lakh, Irrigation: Rs 17.40 lakh and WSS: Rs 1.31 crore) on account of materials supplied were preferred late by one month to 120 months against the responding Divisions.

Irregular transfer of cash through CSSA

The transfer of cash from one Division to another Division is not permissible without the approval of the competent authority.

In 35 Divisions, cash amounting to Rs 48.05 crore was unauthorisedly transferred through CSSA, out of which Rs 13.35 crore was still awaiting clearance

3.3.17. In 35 Divisions ***(Appendix-XXV)***, cash amounting to Rs 48.05 crore (B&R: Rs 3.16 crore, Irrigation: Rs 15.93 crore and WSS: Rs 28.96 crore) was transferred unauthorisedly to other Divisions through CSSA during the period between September 1987 and March 2005. Out of this, Rs 13.35 crore (B&R: Rs 1.79 crore, Irrigation: Rs 3.78 crore and WSS: Rs 7.78 crore) was neither adjusted nor recovered and was still awaiting clearance as of May 2005.

It was observed in audit that situation of transfer of cash to the Divisions and watching the transactions through CSSA had occurred mainly on account of drawl of Letter of Credit (LoC) by one Division for other Divisions and transferring them their LoC's through demand draft or cheque in favour of executive engineer of that Division. The system of allocation of funds through budget to the Divisions was thus replaced through transfer of cash wherein LoC has been drawn and amount distributed to other Divisions through demand draft/ cheque.

Three Divisional Officers (Gurdaspur UBDC Division, Gurdaspur, Kandi Area Dam Maintenance Division, Hoshiarpur and Water Supply and Sanitation (RWS) Division, Gurdaspur) stated (between October 2004 and April 2005) that the amounts would be cleared at the earliest while other Divisional Officers stated that the amount was transferred with the orders of the competent authority but no such orders were made available to audit. The reply was not acceptable since rules do not permit the routing of transactions relating to transfer of cash through CSSA.

Monitoring

3.3.18. No monitoring of the clearance of outstanding balances under the suspense heads was done because:

- There was no system of periodical returns of outstanding balances to be submitted to higher authorities, such as CE/Government for the latter to review the position.
- Review of outstanding balances was not being done by the Divisional Officers as required.
- Periodical meetings at any level were neither prescribed nor held to review the outstanding balances.
- Though outstanding items were to be cleared within 10 days from the date of receipt of the bills, no sustained efforts were made to clear them.
- No effective internal control mechanism to clear the balances was in place.

Conclusion

3.3.19. The control over the maintenance of the suspense heads CSSA and MPSSA was deficient inasmuch as heavy balances were outstanding under them. This indicated that expenditure to that extent was not charged to the final heads of account; consequently the expenditure under the relevant functional head of account did not reflect the actual value of work done or service rendered. The excesses and surrenders against the grants of the year did not represent a true picture of accounts. Items remaining outstanding for long periods facilitate concealment of frauds and pilferage in materials and services rendered that had not been accounted for. Irregular transfer of cash through CSSA may also lead to frauds. The amounts on account of services rendered to autonomous bodies placed irregularly under the suspense heads resulted in non-realisation of money and loss to Government. No effective internal control mechanism to clear the balances was in existence.

Recommendations

- ➢ In view of non-clearance of balances under CSSA and MPSSA, the Government may take early decision for adoption of cash and carry system as had been proposed by the Accountant General (A&E).
- ➢ Periodical returns/reports may be prescribed for submission to the higher authorities by the Divisions so as to watch pendency. An effective control mechanism at the HOD level in this regard may be evolved.
- ➢ Periodical meetings may also be required to be held at regular intervals to review the outstanding balances.
- ➢ Reasons for the outstanding balances may be ascertained/examined and expeditious action taken to ensure earlier adjustment.

The above points were reported to Government in (June 2005); reply has not been received (December 2005).

CHAPTER-IV

AUDIT OF TRANSACTIONS

CHAPTER-IV

AUDIT OF TRANSACTIONS

Audit of transactions 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. Infructuous expenditure

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

4.1.1. Infructuous expenditure on construction of Indoor Stadium

Failure of PUDA to ensure the availability of funds before commencement of a deposit work resulted in the work remaining incomplete, rendering expenditure of Rs 3.15 crore infructuous and blocking of PUDA's own funds amounting to Rs 1.86 crore

The Government of Punjab decided (May 1999) to construct an indoor stadium on municipal land at Moga. Administrative approval for the work was accorded in January 2001 by the Punjab Urban Development Authority (PUDA) at a cost of Rs 2.21 crore. Rupees 1.20 crore for this work were to be provided by the Sports Department (Rs 60 lakh by the Sports Department of the State and Rs 60 lakh by the Sports Authority of India through the State Government). The balance was to be arranged by auction of commercial property by PUDA as well as by the Municipal Council (MC) Moga. The work was to be executed by PUDA. The rules provide that when a deposit work is to be carried out, the local body or other party concerned should advance the gross estimated expenditure in one lump, or in instalments by such dates as may be specifically spelt out by the executing agency.

Scrutiny of records of the office of the Divisional Engineer Construction-I, PUDA, Ludhiana revealed (June 2004) that the Sports Department of the State deposited Rs 60 lakh and PUDA raised Rs 68.82 lakh by auction of commercial property of the Municipal Council, Moga. The work was awarded in March 2001 to a contractor and against the deposited amount of Rs 1.29 crore, expenditure of Rs 3.15 crore was incurred as of March 2004[1] on the work. As stated (February 2004) by the Divisional Engineer, PUDA, Ludhiana, the work has been completed to the extent of 69 *per cent*. The excess expenditure of Rs 1.86 crore was met by PUDA from their own sources. Further, the execution of work was stopped (November 2002) by the Chief Administrator, PUDA and the work had been lying incomplete since November 2002 for want of funds from the clients (Sports Authority of India and MC Moga). Failure of PUDA to ensure availability of funds before commencement of the work forced

[1] Booking of expenditure continued even after stoppage of execution in November 2002.

it to abandon the work, rendering the expenditure of Rs 3.15 crore infructuous as the incomplete stadium was not put to use at all and blocking of PUDA's own funds to the extent of Rs. 1.86 crore.

On this being pointed out (June 2004), PUDA stated (June 2004) that reply would be given after examining the records. Further reply has not been received (December 2005).

The matter was referred to Government in March 2005; reply has not been received (December 2005).

WATER SUPPLY AND SANITATION DEPARTMENT

4.1.2. Infructuous expenditure due to abandoned water supply schemes

Six Rural Water Supply Schemes were abandoned due to the hydrological and geographical investigation about the quality of water not having been conducted prior to the execution of work, resulting in infructuous expenditure of Rs. 18.09 lakh

With a view to providing water supply facilities in schools and other institutions in the villages covered under the 'Pradhan Mantri Gramodaya Yojana' (PMGY), Punjab Government approved six[2] Rural Water Supply (RWS) Schemes in Sangrur District under the PMGY Project at an estimated cost of Rs 90.24 lakh. The administrative approval for these schemes provided that before implementing the schemes, the source of water was to be established scheme-wise after detailed hydrological and geological investigation by the Central Ground Water Board (CGWB) to ensure water quality as well as quantity required for the estimated population. The Chief Engineer also advised that before taking the work in hand, it should be ensured that water from the tubewells was potable and available in adequate quantity to meet the requirements of the schemes.

Test check of the records of six water supply schemes executed by XEN, Water Supply and Sanitation (RWS) Division at Sangrur revealed (March 2005) that the works of boring and installing six tube-wells in six villages were allotted to contractors between August 2001 and August 2003 without getting the hydrological and geographical investigations conducted from CGWB. As the water was not found potable, these works had to be abandoned (between October 2001 and January 2004) rendering the expenditure of Rs. 18.09 lakh on them infructuous. Consequently, the population of these six villages was denied the availability of potable drinking water.

On this being pointed out (March 2005), the Executive Engineer admitted (April 2005) that the schemes were abandoned due to non-availability of potable water and confirmed that no fresh tubewells had been installed so far.

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2 Water supply scheme at village (i) Bhullan (ii) Gidrani (iii) Beopur (iv) Bhathuan (v) Khandebad and (vi) Bahmni wala.

The matter was referred to the Government and the Chief Engineer in May 2005; reply has not been received (December 2005).

4.2. Wasteful expenditure/loss to Government

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

4.2.1. Wasteful expenditure causing loss to PUDA

Creation of NTPDAA without following the provisions of law resulted in its dissolution and expenditure of Rs 2.03 crore infructuous

Government decided (May 1999) to set up a new town of Anandgarh and, for that purpose, created a special authority as a statutory organisation of the State Government, to be called the New Town Planning and Development Authority for Anandgarh (NTPDAA). The authority was to arrange funds from the Housing and Urban Development Corporation (HUDCO) as well as other private financial institutions.

Scrutiny of records of the Punjab Urban Planning and Development Authority (PUDA), Mohali in June 2002 and further information collected in May 2005 revealed that some of the land owners whose land had been acquired under section 4 of the Land Acquisition Act, had filed (2000) a writ petition against the acquisition of land for the project in the Punjab and Haryana High Court which, in turn, quashed (March 2001) the notification, holding that the provisions of the Punjab Regional and Town Planning and Development Act, 1995 (PRTPD) had not been followed, apart from making other observations regarding viability of the project and violation of provisions of the Punjab New Capital Periphery (PNCP) Act. Consequently, the Government dropped (February 2002) the Project and dissolved NTPDAA (February 2002) with the direction to PUDA that the entire expenditure of NTPDAA would be deemed to have been incurred by PUDA in furtherance of its own objects and functions under the PRTPD Act, 1995 and ordered the transfer of the assets and liabilities of NTPDDA to PUDA. The details of transferred assets and liabilities of NTPDAA revealed that expenditure of Rs 1.44[3] crore was incurred by NTPDAA. In addition, there were liabilities of NTPDAA of Rs 58.61[4] lakh which were yet to be discharged. Thus, the improper planning of Government to start the project, without regard to the provisions of the PRTPD Act and the PNCP Act and subsequent dropping of the project, resulted in wasteful expenditure and caused ultimate loss to PUDA to the tune of Rs 2.03 crore (Rs 1.44 crore plus Rs 58.61 lakh).

On this being pointed out (June 2002), PUDA stated (May 2005) that while dissolving the NTPDAA, the Government had ordered transfer of assets and liabilities of the defunct authority to PUDA and the expenditure would be

[3] Net expenditure: (after adjustment of assets in form of cash and security deposit), Administrative expenditure: Rs 66.24 lakh, office expenses: Rs 19.86 lakh, Legal & professional expenses: Rs 34.78 lakh, advertisement: Rs 21.22 lakh and other expenses Rs 2.45 lakh.

[4] Net liabilities: Advertisements: Rs 22.24 lakh, Financial Consultant: Rs 25.99 lakh, Foreign tour: Rs 5.66 lakh and other liabilities: Rs 4.72 lakh.

treated as deemed to have been incurred by PUDA in furtherance of its own objects and functions. The Government did not initiate the project after proper planning and the provision of the PRTPD Act and the PNCP Act were ignored. As a result, wasteful expenditure had to be incurred.

The matter was referred to Government in February 2005; reply has not been received (December 2005).

IRRIGATION & POWER DEPARTMENT

4.2.2. Non-levy of departmental charges

Non-inclusion of departmental charges in the estimates of a deposit work executed on behalf of a private agency resulted in non-recovery of departmental charges of Rs 67.06 lakh

In line with the policy and the guidelines of the State Government, the Punjab Energy Development Agency (PEDA) had been taking up a number of mini hydel projects on various canal systems in Punjab and a number of sites had been allotted to private developers for setting up of mini/micro hydel power generation projects on 'build, operate and own' basis (BOO). According to the Departmental Financial Rules[5], departmental charges are leviable at the rate of 27.5 *per cent* on deposit works undertaken by any Government Department on behalf of any local body or other parties. Remission of these charges is not permissible except with the consent of the Finance Department.

Audit scrutiny of the records of the Executive Engineer, Bathinda Canal Division, Bathinda (XEN) in September 2004 and information collected subsequently in March 2005 revealed that on the allotment of the Dadahur Hydro Electric Power Project on Bathinda Main Branch to a promoter Aqua Power Limited (APL), a tripartite agreement was executed (August 2001) among the Punjab Irrigation Department (PID), PEDA and APL. As per the agreement, the works of realignment and re-channelisation or restoring was to be done by the PID as per the canal design and the requirement on behalf of the promoter. The Chief Engineer approved (October 2003) project estimate for the work of combining of fall on Bathinda Branch at RD 155500, Dadahur to fall at RD 185000, Chak Bhaike at a cost of Rs 3.61 crore. The work was taken up in January 2004 and an expenditure of Rs 2.44 crore was incurred as of February 2005 against the deposit of Rs 2.45 crore made by the promoter. However, it was noticed that the Department had neither made provision for departmental charges in the estimate nor levied or recovered the same from the promoter nor included any such clause in the agreement. This resulted in non-recovery of departmental charges of Rs 67.06 lakh on deposit work executed upto February 2005 on behalf of the private promoter.

On this being pointed out (September 2004), XEN stated (December 2004) that provision of Rs 27.5 *per cent* departmental charges had been made in the revised estimates of the work but the recovery was not being made as the matter stood referred to the Secretary, Department of Irrigation for advice. The

[5] Rule 7.131 of DFR read with para 8 of Appendix 2 (amended).

reply of XEN was not acceptable because it had failed to include a clause to levy the departmental charges in the original agreement and did not initiate any action to realise the departmental charges despite having been intimated (December 2004) by the Irrigation Department to do so on account of supervision of the work. Further report on action taken in the matter has not been received (December 2005).

The matter was brought (January 2005) to the notice of the Chief Engineer and the Government; reply has not been received (December 2005).

IRRIGATION AND POWER DEPARTMENT

4.2.3. Wasteful expenditure on payment of electricity bills

Failure to get machinery repaired resulted in wasteful expenditure of Rs 22.48 lakh

The lift irrigation scheme on the left side of Anandpur Sahib Hydel Channel was designed and commissioned in February 1995 to provide irrigation facilities to Cultivable Command Area (CCA) of 1558 acres of land in six villages falling between Nangal Township and Village Daroli.

Audit scrutiny of the records of the Executive Engineer, Ropar Head Works Division, Ropar revealed (June 2004) that the scheme had become inoperative since January 2001 as some machinery like pumping sets, electrical panels and rising mains, etc. required replacement of parts. Though the cost of repair involved was about Rs. seven lakh, the repair was not got done. Due to non-payment of electricity bills, the PSEB disconnected power in November 2003. The scheme was made functional in February 2004 after having been repaired at a cost of Rs 6.81 lakh. A bill amounting to Rs 22.48 lakh on account of electricity charges for the inoperative period was also paid (February 2004) without giving any irrigation facilities to the CCA.

Thus, the failure of the Department to arrange an amount of Rs 6.81 lakh for getting the machinery repaired for three years not only resulted in wasteful expenditure of Rs 22.48 lakh but also denial of irrigation facilities to the farmers of the area.

On this being pointed out (January 2004), the Executive Engineer, while admitting the facts, stated (December 2004 and April 2005) that the only reason for non-operation of the scheme was non-availability of funds despite repeated requests to higher authorities.

The matter was referred to the Government and the Chief Engineer in April 2005; reply had not been received (December 2005).

AGRICULTURE DEPARTMENT

4.2.4. Injudicious cancellation of auction

Cancellation of auction by the Department adversely affected developmental works, led to avoidable litigation and resulted in loss of interest of Rs 20.24 lakh

Rule 3(i) of the Punjab New Mandi Township (Development and Regulation) Rules, 1960, stipulates that the land and buildings in New Mandi Townships shall be sold by the State Government by public auction or allotment. In case of sale by public auction, the sale price shall be the reserve price or the price offered by the highest bidder, whichever is higher.

Audit scrutiny (December 2004) of records of the office of the Director Colonisation Punjab, Chandigarh (Director) revealed that 27 commercial sites located at the new grain market, Jandiala Guru (Amritsar) were auctioned (October 2000) for a total price of Rs 91.05 lakh. An amount of Rs 22.76 lakh, being 25 *per cent* of the bid money was received and deposited (October 2000) in Government account. The balance of Rs 68.29 lakh was to be deposited by the bidders in six half yearly instalments of Rs 11.38 lakh each. The auction was, however, cancelled by the Director (November 2000) as the same was stated to have been held without fixation of reserve price. The successful bidders were, however, informed by the Director at a belated stage in May 2002 and 25 *per cent* of the bid amount was refunded to the bidders in August 2002. Meanwhile, the affected parties filed (July 2002) a writ petition in the Hon'ble Punjab and Haryana High Court which quashed (October 2002) the orders of cancellation of auction passed by the Director. The SLP and the review petition filed (2004) by the Department were also dismissed (January 2004 and January 2005) by the Hon'ble Supreme Court, holding the Department at fault for cancelling the auction. Consequently, the Department had to issue allotment letters to the petitioners at the same auctioned price.

The scrutiny of records revealed that though the fact of having received higher bid (Rs 91.05 lakh) amount than the prevailing (October 2000) market price (Rs 64.25 lakh) was very much in the notice of the Department, the auction was improperly ordered as cancelled. The injudicious cancellation of auction and the prolonged and unnecessary litigation by the Department adversely affected the developmental works at the *mandi* without fetching any additional revenue for the State and resulting in loss of interest of Rs 20.24 lakh[6] (calculated at the Government borrowing rate prevailing during the same period).

On this being pointed out (December 2004), the Director stated (May, 2005) that as the allotment letters were not issued, the interest did not become due. The reply of the Department is not acceptable as the allotment letters could not be issued because of the cancellation (November 2000) of auction held in October 2000.

[6] Interest calculated for the periods between April 2001 and May 2005 during which the amounts of earnest money and balance instalments (Rs. 91.05 lakh) should have been deposited as per auction held in October 2000.

The matter was referred to Government (February 2005); their reply is awaited (December 2005).

4.3. Unfruitful expenditure

EDUCATION DEPARTMENT

4.3.1. Unfruitful expenditure due to non-utilisation of the services of teachers

Deployment of primary teachers against clerical posts hampered the interest of primary education in schools

The Primary Education Act, 1960, envisaged compulsory education to all children in the age group of 6-14 years. The national policy on education also envisaged a substantial improvement in the quality of education through strengthening of supervisory cadres in the primary schools.

Scrutiny (April 2004) of records by audit and information collected (March 2005) subsequently in the office of three District Education Officers (DEOs) at Ferozepur, Gurdaspur and Hoshiarpur, revealed that no teacher was deployed during the academic session 2002-03 and 2003-04 in 124[7] primary schools set up in these districts, though 4849 students (Ferozepur: 2102, Gurdaspur: 1537 and Hoshiarpur: 1210) remained on the rolls during the session.

It was also noticed that the shortage of teachers was caused due to diversion/ deployment of 52 teachers on clerical jobs in the offices of DEOs and Block Primary Education Officers (BPEOs) which ultimately hampered the implementation of the National Education Policy.

Irregular action on the part of the Department to divert teachers to clerical jobs, inspite of the fact that schools were running without teachers, resulted in unfruitful expenditure of Rs 67.01 lakh (Ferozepur: Rs 20.75 lakh, Gurdaspur: Rs 18.96 lakh, Hoshiarpur: Rs 27.30 lakh) on pay and allowances disbursed to them during 2002-04 as their services were not used for teaching.

On this being pointed out (July 2004), the Government while admitting the fact ordered (October 2004) that all teachers working in DEOs/BPEOs offices be transferred back to the schools where posts were lying vacant and no teacher should be posted to any clerical post so as to safeguard the interest of students. However, DPI was not equipped (May 2005) with the data regarding teachers actually transferred from DEO's/BPEO's to schools.

7 Ferozepur-45, Gurdaspur-45 and Hoshiarpur-34.

4.4. Idle investment

In four Departments, various schemes and works were sanctioned and their execution started but these were suspended after incurring substantial expenditure due to paucity of funds. Failure to ensure availability of funds rendered the expenditure of Rs 4.20 crore idle

While considering implementation of any project, it is incumbent upon the Government to make sure that adequate funds are available for their 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.

Test check in Audit at various parts of the State revealed a pattern of the Government sanctioning more projects than it is in a position to finance. As a result of spreading its limited resources thin, it failed to finance the works till their completion, rendering the expenditure on incomplete works idle or leading to sub-optimal utilisation of the intended facilities. During test check of the records of four[8] Departments, it was revealed that despite administrative approval and technical sanction of different projects for development of infrastructure consisting of buildings– hospitals, dispensaries, health centres, circuit houses and supply of water, 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:

4.4.1. Scrutiny of records of the Executive Engineer Panchayati Raj Division, Sangrur (XEN) revealed (June 2004) that for execution of 43 works (Community Centres:14, Veterinary Dispensaries:10, Shopping Complex:14 and Subsidiary Health Centres:5) of 14 Focal Point[9] buildings, funds amounting to Rs 2.46 crore were received (March 1999) by the Additional Deputy Commissioner (Development), Sangrur under Employment Assurance Scheme funded by Central and State Governments in the ratio of 1:1. The amount was deposited with the District Treasury in March 1999 as civil deposits in the name of XEN. The execution of all 43 works was taken up by the XEN in April 1999 and was scheduled to be completed by March 2000. Out of these, 33 incomplete works (Community Centres:11, Veterinary Dispensaries:7, Shopping complex:10 and Subsidiary Health centres:5) were abandoned between April 2000 and July 2003 after incurring an expenditure of Rs 1.66 crore as the balance of requisite funds amounting to Rs 34 lakh for 33

8 Rural Development and Panchayats, General Administration, Public Works B&R Branch, Water Supply & Sanitation.

9 Focal point represents an area developed to revive and intensify traditional rural industries and trades to facilitate development of cottage and small scale industries and includes facilities like community centre, veterinary hospital, shopping centre and auction platform of common use for more than one village. The 14 buildings were at Chounda, Badalgarh, Bushera, Kattu, Issi, Bhutal Kalan, Saidopur, Phalound khur, Matoi, Kurar, Ubhawal, Jangiana, Balian and Jharaon.

incomplete works was not released. As a result, the expenditure of Rs 1.66 crore was rendered idle, besides denial of intended benefits as envisaged in the development of focal points.

On this being pointed out (June 2004), the Executive Engineer stated (June 2004, March and April 2005) that the matter regarding release of funds was pending with the Finance Department since September 2001 but no funds for these works were released. After stoppage of funds, the buildings were handed over to the concerned village Panchayats as they were. The reply shows that the non-receipt of balance amount for construction forced the Department to abandon the work and the bleak prospect of future funding of the project compelled the Department to hand over the incomplete project to the village Panchayats. Thus, even after spending Rs 1.66 crore on development of focal points, the Department failed to complete the project and failed to develop integrated focal points for facilitating development of traditional village industries.

The matter was referred to the Chief Engineer and the Government in January 2005; reply has not been received (December 2005).

4.4.2. The Secretary, Government of Punjab, General Administration Department (Hospitality Wing) accorded (March 1994) administrative approval for construction of a Circuit House at Ferozepur, at a cost of Rs 1.60 crore (building: Rs 1.13 crore, public health amenities: Rs 20.96 lakh and electric installation: Rs 25.82 lakh).

The scrutiny of records of the Provincial Division, Ferozepur, revealed (September 2004) that the Executive Engineer awarded (April 1995) the work of construction of the building to a contractor to be completed within 10 months, which was extended up to September 2000 as the work could not be commenced in the absence of the decision on structural design by the client Department and the land had not been transferred to the Hospitality Department by the Agriculture Department to which it belonged. However, the work was started under the direction of the Government (Hospitality Wing) in February 1996. After executing the work amounting to Rs 99.53 lakh, the contractor abandoned (September 1999) the work as the Department had failed to pay the dues of the contractor. The contractor requested (August 2003) for closure of agreement on the plea that the balance of the work was stopped by the Division due to non-allocation of funds in the subsequent years. The agreement of work was closed (March 2005) and final payment made to the contractor. The allied works[10] allotted to the other contractors were also not completed due to non-payment of their claims. The non-completion of works, abandoned since December 2001, was attributed to the crisis of funds being faced by the Government. Thus expenditure of Rs 1.29 crore (building portion: Rs 99.53 lakh; electrical installation Rs 12 lakh; public health amenities: Rs 14.02 lakh and miscellaneous expenses: Rs 3.37 lakh) incurred on partial construction of circuit house was rendered idle and the Department had failed to create the intended facility.

10 Electric installation, public health and supply and fixing of aluminium doors.

On this being pointed out (September 2004), the Executive Engineer Construction Division No. 3 to whom the work was transferred in October-November 2003, stated (June 2005) that the agreement has been closed as per decision of the Hon'ble Court and, though remaining funds amounting to Rs 79.45 lakh were demanded, none had been released by Government (June 2005). Also, the residual work was stated to have not been allotted so far (June 2005). The reply is tantamount to the Department admitting their failure to ensure availability of funds for execution of works before undertaking the construction work. The failure led to idle expenditure of Rs 1.29 crore.

The matter was brought to the notice of Government in February 2005; reply has not been received (December 2005).

4.4.3. Under the scheme of expansion and improvement of Guru Gobind Singh Medical College at Faridkot, the Government accorded administrative approval (January 1997) for construction of Out Patient Department (OPD) Block, consisting of 30 bays in the hospital at a cost of Rs 1.94 crore. The work, intended to be completed in one year, was entrusted to the Public Works Department in January 1997. Scrutiny of records of the Provincial Division, Faridkot revealed (December 2004) that, the work of construction of bay one to bay 10 awarded to a contractor in February 1997, was completed in February 1999 at a cost of Rs 28.15 lakh. The work of construction of bays 11 to 30 was awarded in February 1998 to another contractor and was completed in January 2000 at a cost of Rs 82.94 lakh with a delay of 23 months. However, the remaining work of flooring, joinery, public health amenities, electric installation, furnishing, etc. in bays 11 to 30 was held up (April 2005) due to non-availability of funds since March 2001. In the meantime, a proposal for obtaining revised administrative approval for the revised cost of Rs 2.53 crore was sent by Superintending Engineer, Construction Circle, Faridkot to the Chief Engineer (CE) in November 2004, after a lapse of 58 months, which was still awaited (April 2005). Due to non-completion of these items of works, bays 11 to 30 of the building could not be made functional (March 2005).

On this being pointed out (December 2004) in audit, the Executive Engineer stated (December 2004) that the revised estimate for the remaining work had been submitted to CE in November 2004 and the work was held up due to paucity of funds. The reply did not clarify the reasons for failure to obtain funds since March 2001 when the work had to be stopped due to lack of funds. Department's inaction rendered the expenditure of Rs 82.94 lakh on construction of incomplete bays of the OPD idle and deprived the members of public of full facility of the OPD.

The matter was referred to CE/Government for comments in May 2005; their reply is awaited (December 2005).

4.4.4. During the course of audit of the records of the Executive Engineer, Public Health (RWS) Division, Kapurthala, it was noticed (May 2005) that administrative approval to two schemes 'Ibrahimwal and Jabbowal', block Sultanpur was accorded by the Government (August 1997 and January 1999) at an estimated cost of Rs 1.08 crore. The work of installation of tubewell, construction of overhead service reservoir and pump chamber in respect of the schemes at Ibrahimwal was awarded in January 1998, January 1999 and October 1999 and that at Jabbowal in April 1999, December 2000 and January 2001, respectively. Further, after incurring an expenditure of Rs 41.60 lakh (Ibrahimwal: Rs 27.19 lakh and Jabbowal: Rs 14.41 lakh) upto March 2003, the works were stopped (March 2003) due to non-availability of funds and the work on the remaining components of both the schemes viz. distribution system, construction of staff quarters etc. had not been taken up (May 2005). As a result, both the schemes remained non-functional. The failure of the Department to make funds available for the schemes and complete the schemes within the stipulated period of two years, rendered the expenditure of Rs 41.60 lakh idle, besides defeating the very objective of scheme for providing potable water to the villages.

On this being pointed out (May 2005), the Executive Engineer admitted (May 2005 and August 2005) that funds though sought through the works programmes for the years 2004-05 and 2005-06 were not provided and the work would be completed on receipt of funds.

The matter was referred to the Government and the Chief Engineer in June 2005; reply has not been received (December 2005).

4.5. Excess payment/avoidable expenditure

GENERAL ADMINISTRATION DEPARTMENT

4.5.1. Excess payment to Pepsu Road Transport Corporation

Non-verification of claim with reference to actual strength of freedom fighters resulted in excess payment of Rs 1.99 crore to PRTC

The Punjab Government granted (December 1988 and July 1996) free travel facility to the freedom fighters of the State on all the buses of the Pepsu Road Transport Corporation (PRTC), inside and outside the State without any restriction on the number of kilometers they travel in a year. It was also decided that all the freedom fighters of the age of 65 years or above and the widows of the freedom fighters were entitled to take with them an attendant free of cost. It was further decided (June 1998) that reimbursement of loss on this account was to be made by making provisions in the budget by the General Administrative Department. The Department was made (September 2002) responsible for verifying the claims lodged by PRTC.

It was noticed (October 2004) during audit that PRTC preferred (September 2002 & December 2003) a claim of Rs 3.75 crore for the years 2001-02 to 2003-04 prepared as per the formula adopted by the Department. The PRTC had adopted the figure of 8500 freedom fighters while computing their claim as per the formula. Without verifying the correctness of the claim submitted by PRTC, the amount of Rs 3.75 crore was paid by the Department in March 2003 (Rs 2.46 crore), December 2003 (Rs 66 lakh) and March 2004 (Rs 63 lakh) whereas the claim of PRTC calculated as per actual number of freedom fighters worked out to Rs 1.76 crore (Rs 65.57 lakh: 2001-02, Rs 53.78 lakh: 2002-03 and Rs 56.66 lakh: 2003-04). Thus, failure of the Department to verify the correctness of the claim of PRTC resulted in excess payment of Rs 1.99 crore (Rs 3.75 crore – Rs 1.76 crore).

On the matter having been brought (October 2004 & January 2005) to their notice, the Government while admitting the facts, intimated (February 2005 & March 2005) that no further payments would be made to PRTC till the amount paid in excess was adjusted in future claims. However, no excess payment had been adjusted upto May 2005.

HOME DEPARTMENT

4.5.2. Omission in agreement resulting in avoidable expenditure

Uncertain terms in the agreement executed by the Department led to delay in receiving payment; as a result, Rs 30 lakh had to be paid as interest on borrowed funds

Financial rules of the State Government provide that the terms and conditions in the agreements signed on behalf of the Government should be precise and definite and there must be no room for ambiguity or misconstruction therein.

The Additional Director General of Police-cum-Commandant General Home Guards (Department) entered (March 2001) into a contract with the Food Corporation of India (FCI) for deployment of Home Guard volunteers with FCI for safeguarding their depots and stores. The expenditure on their wages paid by the Department would be reimbursed by FCI. No time limit for raising of bills by the Department to FCI or payment of the bills by FCI was prescribed in the agreement. The Department, however, requested the FCI late in June 2004 to arrange reimbursement of claims within a week from the date of receipt of the claims.

Scrutiny (December 2004) of the records of District Commander, Home Guards, Ferozepur (DCHG) revealed that, instead of raising monthly bills, claims for reimbursement of Rs 2.74 crore pertaining to the period from January 2001 to October 2004, were submitted by the DCHG with delays ranging from two to 19 months. Out of this amount, Rs 2.69 crore were reimbursed late by one to four months by the FCI and the remaining amount was yet (July 2005) to be received. Failure of the Department to raise bills for reimbursement on monthly basis immediately after making payment to Home Guard volunteers inflicted on the State Government an extra financial burden of Rs 30 lakh as interest on borrowings (calculated at the borrowing rate after allowing a collection period of one full month from the month of payment made to Home Guards) from March 2001 to February 2005.

On this being pointed out (December 2004), while admitting the lapse, the DCHG stated (July, 2005) that the FCI had since agreed to pay interest @ 12 *per cent* per annum for delay in payment, beyond seven days from the date of receipt of bill and an interest clause to this effect was also being included in the new agreement. The reply underscored the earlier omission to include an interest clause; besides, the reply did not indicate any corrective measures taken by the Department to eliminate the delay in preferring the claim.

The matter was referred to Government (March 2005); no reply has been received (December 2005).

4.6. Unauthorised expenditure

EDUCATION DEPARTMENT

4.6.1. Unauthorised expenditure from receipts retained outside Treasury

Examination fees amounting to Rs 3.89 crore collected from 5th Class students was kept outside treasury and utilised for departmental expenditure in violation of Financial Rules; records relating to such expenditure were not produced for audit

Financial rules provide that departmental receipts collected have to be credited into the treasury on the same day or the morning of the next day.

An audit observation was raised (May 2002) that Rs 1.75 crore collected as examination fees from students of 5th class for conducting annual examination during September 2001 to November 2001 were not deposited in treasury but kept in savings bank by five[11] District Education Officers (Elementary) (DEO) and the record of expenditure out of the same (which was unauthorised) were not produced to audit, Finance Department, while admitting the facts, issued (November 2002) instructions to the Education Department that all such receipts are required to be credited to treasury and all the connected records should be produced to audit. The Administrative Secretary (Education Department) also asked (November 2002) the Director Public Instructions (E) and the DEOs to stop the collection of fees forthwith, deposit the already collected amount of Rs 1.75 crore into treasury and produce all related records to audit.

Test check (August 2002 to April 2004) revealed that in seven[12] DEO offices (including two[13] earlier checked), instead of depositing the already collected amount, further amounts aggregating Rs 2.14 crore were collected as examination fees between 2001-02 and 2003-04 and the entire amount of Rs 3.89 crore was retained irregularly outside the Government Account. The records relating to collection of the above amount and expenditure out of this sum were not produced to audit by DEOs in spite of the instructions issued (November 2002) by Finance Department.

The matter was referred to Government (May 2005); reply has not been received (December 2005).

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11 Kapurthala, Patiala, Fatehgarh Sahib, Nawanshahar and Jalandhar.

12 Amritsar, Bhatinda, Fatehgarh Sahib, Hoshiarpur, Muktsar, Moga and Nawanshahar.

13 Fatehgarh Sahib (September 2001) and Nawanshahar (October 2001).

4.7. Others points

HEALTH AND FAMILY WELFARE DEPARTMENT

4.7.1. Forfeiture of central assistance of Rs 7.17 crore

Failure of the Department to ensure implementation of its own scheme of establishment of four diagnostic centres in the State resulted in forfeiture of central assistance of Rs 7.17 crore besides denial of the intended benefit to the public

In pursuance of the recommendations of the Eleventh Finance Commission, the State Government formulated (December 2000) a scheme for the establishment of four regional diagnostic centres, one each in the hospitals attached to the medical colleges at Amritsar, Faridkot and Patiala and the fourth at the Civil Hospital, Ferozepur. The scheme was to be implemented during the period 2000-05. The Central Government allocated a grant of Rs 12 crore in 2000-01 to be released during this period, depending upon the extent of utilisation of the instalments of grant already released. The unutilised grant as on 31 March 2005 was to lapse.

Audit scrutiny (April 2005) of the records of the office of Director, Research and Medical Education (DRME) and information collected (June 2005) from the Director Health & Family Welfare (DHS) revealed that out of the grant of Rs 4.83 crore received from the Central Government during 2000-02, the State Government had sanctioned (December 2001) Rs 3.62 crore for establishment of three regional diagnostic centres to be set up at Amritsar, Faridkot and Patiala and Rs 1.21 crore for establishment of the fourth centre at Ferozepur. Out of Rs 3.62 crore, only an amount of Rs 1.49 crore was spent during the period 2003-05 by the DRME, leaving Rs 2.13 crore unutilised, despite revalidation of the sanction from year to year up to March 2005. Similarly, out of Rs 1.21 crore, DHS spent Rs 85.11 lakh upto March 2005. The balance of Rs 35.53 lakh was lying in a bank account at Chandigarh maintained by the Punjab Health System Corporation.

The failure to ensure procurement in a time bound manner, despite being aware that such failure would result in forfeiture of Central Government funds, resulted in denial of funds to the extent of Rs 7.17 crore to the State Government. The failure also denied the public the benefit of fully equipped diagnostic centres in four regions of the State. Admitting the audit observation (April 2005), the Department stated (July 2005) that the grant in aid could not be utilised for establishment of diagnostic centres due to lengthy procedures of purchase of imported machinery through the Controller of Stores, non-release of balance of the grant by the Central Government and non-clearance of bills by the treasury.

Thus, the delay in completion of the process of procurement led to non-establishment of diagnostic centres within the allotted time and forfeiture of financial assistance of the order of Rs 7.17 crore from the Central Government.

AGRICULTURE DEPARTMENT

4.7.2. Failure to utilise research and development funds

Failure of Punjab Agriculture University to implement a scheme of research and development deprived the agriculturists of the intended benefits apart from locking up Government funds

Punjab Agriculture University (PAU) made a request (September 1998) to the Chief Minister, Punjab, for a grant of Rs two crore to enable them to prepare a comprehensive plan for a research and development scheme with the objective of diversifying and maximising profit of Punjab farmers. The scheme envisaged imparting training to the faculty of PAU in India or abroad for three to 12 months in bio-technology, post-harvest technology, purchase of equipment and import of seeds and plants required for research and development work. The Punjab Rural Development Board (PRDB) at the instance of Government sanctioned and released (October 1998) a sum of Rs two crore to PAU. Of this, a revolving fund of Rs 20 lakh was to be maintained for meeting contingent expenditure on the scheme. Neither any project report was prepared and forwarded to Government or PRDB nor any schedule of implementation was mentioned in the sanction.

Test check of records of the PAU (March 2005) revealed that out of Rs two crore, PAU had transferred Rs 20 lakh to a revolving fund and kept the balance of Rs 1.80 crore in fixed deposits in banks since November 1998. Thereafter, neither any action plan was prepared by PAU to utilise the principal amount for achievement of the objectives specified in the request of PAU nor did the Board or the Government ever ask for the progress made under the scheme. An amount of Rs 59.02[14] lakh out of the interest accrued on the grant was utilised on training (held in June-September 2003) of three faculty members (Rs 33.08 lakh) and purchase of equipment etc. (Rs 25.94 lakh) between 1998-99 and 2004-05. The unutilised amount of Rs 2.09 crore (inclusive of interest) was lying in fixed deposits as of March 2005. This indicated the failure of PAU to prepare a plan for arranging training to faculty members and purchasing equipment. Their inaction also resulted in blocking of Government funds and failure in fulfilling the objectives of the scheme and depriving farmers of the intended benefits of research and development. The release of funds by the Department without obtaining any project report highlighting utilisation and the purpose to be achieved from the release of funds also reflects upon the system of financial management in the Department.

The matter was referred to Government (April 2005), their reply is awaited (December 2005).

[14] 1998-99 (Rs 5.30 lakh), 1999-2000 (Rs 1.25 lakh), 2000-01 (Rs 8.40 lakh), 2001-02 (Rs 2.26 lakh), 2002-03 (Rs 23.68 lakh), 2003-04 (Rs 15.69 lakh) and 2004-05 (Rs 2.44 lakh).

4.8. GENERAL

4.8.1. 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 this office for vetting before submission to PAC.

Audit Reports

Out of 325 paragraphs and reviews included in the Audit Reports relating to the period 1995-96 to 2002-03, which had already been laid before the State Legislature, ATNs in respect of 73 paragraphs and reviews as detailed below had not been received in the Audit Office as of June 2005, even after the lapse of the prescribed period of three months: -

Year of the Audit Report (Civil)	Total Paragraphs/ Reviews in Audit Report	No. of Paragraphs/ Reviews for which ATNs were not received
1995-96	47	1
1996-97	56	4
1997-98	37	2
1998-99	48	3
1999-2000	44	8
2000-01	33	13
2001-02	31	13
2002-03	29	29
Total	**325**	**73**

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

CHAPTER-V

INTERNAL CONTROL SYSTEM

CHAPTER-V

INTERNAL CONTROL SYSTEM

5.1. Evaluation of internal control system in Technical Education and Industrial Training Department

TECHNICAL EDUCATION AND INDUSTRIAL TRAINING DEPARTMENT

Highlights

- ***Budget estimates for 2000-01 to 2004-05 were prepared without taking into account actual requirements, as demands were 73 to 100 per cent higher than actual expenditure incurred on the plan side.***

(Paragraph 5.1.6)

- ***Cash management was deficient as neither the cash books were maintained properly nor the reconciliation of accounts was done with the books of Treasury Officers.***

(Paragraph 5.1.8 & 5.1.9)

- ***General provident funds were not maintained properly.***

(Paragraph 5.1.11)

- ***Against the target of 2848 inspections, only 494 inspections (17 per cent) were conducted by the Directorate.***

(Paragraph 5.1.13)

- ***Machinery registers were not inspected and physical verification of stores and stock was not being conducted.***

(Paragraph 5.1.14 & 5.1.15)

- ***There was scope for optimisation of deployment of teaching staff.***

(Paragraph 5.1.17)

- ***Internal audit was ineffective.***

(Paragraph 5.1.18)

Introduction

5.1.1. Internal controls are laid down in the rules, regulations, codes and manuals of the Department and adherence thereto provide reasonable assurance to departmental officers regarding reliability in accounting and financial reporting as well as the effectiveness and efficacy in the Department's operation. The controls also act as a safeguard against errors and irregularities in operational and financial matters.

Organisational set-up

5.1.2. The Principal Secretary to the Government of Punjab, Technical Education and Industrial Training Department is in overall charge of the Department. The Directorate of Technical Education and Industrial Training under the Department is vested with the responsibility of implementing the Government's policies and programmes relating to technical education and industrial training. In discharging his responsibilities, the Director is assisted by three Additional Directors, one Joint Director, 11 Deputy Directors, five Assistant Directors and one Placement Officer at the Directorate. Eighteen Polytechnic Institutions (PIs) and 95 Industrial Training Institutes (ITIs) and one Tanning Institute (TI) and one Institute of Textile Chemistry and Knitting Technology (ITCKT) are functioning in the field. In addition, one Deputy Controller of Finance and Accounts (DCFA), one Assistant Controller of Finance and Accounts (ACFA) and two SAS[1] qualified Section Officers, are provided by the Finance Department. Their duties and responsibilities include, *inter-alia*, internal audit of the organisation as per the standing orders of the State Government.

Audit objectives

5.1.3. Audit objectives were to see whether the internal control system of the Department provided a reasonable assurance that the Department would achieve its objectives through the following types of control:

- Financial controls;
- Administrative controls;
- Manpower management; and
- Internal audit.

[1] SAS:-Subordinate Accounts Service.

Audit coverage

5.1.4. Audit review for the period 2001-05 was conducted at the Secretariat of the State Government, the Directorate, 19 ITIs[2], five PIs[3], one TI and the ITCKT between September 2004 and February 2005. The results of the review are discussed in the succeeding paragraphs.

Financial controls

5.1.5. Financial rules are prescribed for enforcing financial discipline. Failure of any orgainsation to ensure adherance to financial rules exposes it to financial irregularities, wasteful expenditure, misappropriation, fraud and the risk of non-availability of funds for discharging its mandated responsibilities. It also reduces the possibility of generating extra-budgetary resources.

Preparation of inflated budget estimates

5.1.6. The two main instruments of financial control are budgeting and accounting. It was observed (September 2004 to February 2005) during audit that the budget estimates for 2000-01 to 2004-05 were prepared without taking into account actual requirements. The following table depicts the year-wise and Department-wise position of savings which ranged between 73 and 100 *per cent* on the plan expenditure side.

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2 Anandpur Sahib, Chuhar Chak, Gujjarwal, Jagraon, Jalandhar (W), ITC – MTI Jalandhar, Kharar, Kartarpur, Ludhiana (B), Ludhiana (W), Manuke, Mohali, Morinda, Moga, Nakodar, Nangal, Phillaur, Ropar and Samrala.

3 Jalandhar (W), Khunni Majra, Ludhiana (W), GTB Garh (Moga) and Ropar.

(Rupees in crore)

Department	Year	Nature of expenditure	Original Budget demand	Final Budget allotment	Expenditure	Savings	Percentage of savings
Director Technical Education	2000-01	Non-Plan Plan	26.44 88.00	22.70 31.30	16.98 14.56	9.46 73.44	36 83
	2001-02	Non-Plan Plan	18.97 65.24	15.09 19.31	12.53 10.30	6.44 54.94	34 84
	2002-03	Non-Plan Plan	30.03 19.65	29.16 7.05	27.74 4.66	2.29 14.99	8 76
	2003-04	Non-Plan Plan	28.22 16.39	36.18 2.92	34.66 2.03	Excess 14.36	-- 88
	2004-05	Non-Plan Plan	33.10 8.26	26.81 3.37	24.44 2.24	8.66 6.02	26 73
Director Industrial Training	2000-01	Non-Plan Plan	34.78 35.25	38.07 16.94	33.98 3.93	0.80 31.32	2 89
	2001-02	Non-Plan Plan	40.56 20.25	39.46 7.32	34.36 3.68	6.20 16.57	15 82
	2002-03	Non-Plan Plan	47.10 42.01	40.76 0.43	38.19 0.02	8.91 41.99	19 99
	2003-04	Non-Plan Plan	46.58 11.10	47.54 0.60	44.48 0.02	2.10 11.08	5 99
	2004-05	Non-Plan Plan	47.05 4.97	45.79 4.97	38.63 Nil	8.42 4.97	18 100

In response to the audit observations the Department stated that savings occurred due to (i) cut on expenditure imposed by the Government, (ii) schemes not cleared by Government; and (iii) bills not passed by the treasury. Further, it was intimated by the Technical Wing that budget was demanded, keeping in view the construction work of newly proposed PIs but, due to financial crisis, the Government did not approve the proposed budget. The reply was not acceptable as there were recurring savings over even the actually allotted budget. The proposal for the construction of new PI's was also not proper in view of fact that against 21046 sanctioned seats, only 12175 to 10061 students took admission during this period and seats upto 55 *per cent* were lying vacant. Savings of such huge magnitude, as such, reflect over-pitching of demand for funds without there being any preparatory work or plan of action to utilise funds, depicting an unsatisfactory state of affairs in general and weak internal control in budgeting matters.

Expenditure in excess of/ without budget provisions

Expenditure was incurred in excess of and without budget provision

5.1.7. During 2003-04, in the Industrial Training Wing of the Directorate, expenditure totalling Rs 1.17 crore had been incurred in excess of budget provision under the sub-head[4] of office expenditure and expenditure of Rs 29.25 lakh had been incurred under three sub-head[5] without any budget allotment reflecting a lack of appropriate internal control.

5.1.8. Cash Book

Cash Books were not maintained as per financial rules

- In ten ITIs[6] and three PIs[7], the totals of cash book for periods ranging from two to five years were neither verified periodically by the Head of Office nor his authorised representative nor were the details of closing balance of cash mentioned in the cash book. Improper maintenance of cash book and non-verification of cash balance exposed the organisations to the risk of misappropriation and fraud.

- Details of bill-wise undisbursed amount are required to be mentioned against monthly closing balances of cash book; in six ITIs[8] and one PI[9], such details were not mentioned for periods ranging from two to five years. Such lapses too could ultimately lead to misappropriation of funds or frauds.

- In the Directorate and in 15 ITIs[10], three PIs[11] and one ITCKT, Bill Registers were neither maintained in prescribed form nor reviewed monthly by the Head of Office. Further, in 16 ITIs[12], five PIs[13], one ITCKT and one TI, the Bill Transit Register was neither maintained in the prescribed form nor reviewed bi-weekly by the Head of Office.

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4 Office expenditure (Rs 1.17 crore).

5 Material and Supplies (Rs 28.40 lakh), Other Charges (Rs 0.65 lakh) and Machinery & Equipment (Rs 0.20 lakh).

6 Chuhar Chak, Jagraon, Kartarpur, Kharar from 2000-01 to 2004-05, Mohali from 4/2000 to 10/2004, Morinda from 4/2000 to 11/2004, Nakodar from 2000-01 to 2004-05, Nangal from 4/2000 to 11/2004, Ropar from 4/2000 to 4/2003 and Samrala from 4/2000 to 4/2002.

7 Khunni Majra from 2000-01 to 2004-05, Ludhiana(W) from 4/2000 to 11/2004 and Ropar from 2000-01 to 2004-05.

8 Chuhar Chak, Jagraon, Kharar from 2000-01 to 2004-05, Mohali from 4/2000 to 2/2002, 4/2003 to 12/2003 and 2/2004, Morinda from 4/2000 to 11/2004 and Nakodar from 2000-01 to 2004-05.

9 Khuni Majra.

10 Anandpur Sahib, ITC-MTI Jalandhar, Ludhiana (B), Chuhar Chak, Jagraon, Kartarpur, Kharar, Morinda, Nangal, Ropar, Gujjarwal, Jalandhar(W), Ludhiana(W), Manuke and Moga.

11 Khunni Majra, Ludhiana(W) and Jalandhar (W).

12 Anandpur Sahib, ITC – MTI Jalandhar, Ludhiana (B), Chuhar Chak, Jagraon, Kartarpur, Kharar,, Morinda, Nangal, Nakodar, Ropar, Gujjarwal, Jalandhar (W), Ludhiana (W), Manuke and Moga.

13 Jalandhar (W), Khunni Majra, Ludhiana (W), Ropar and GTB Garh (Moga).

The Department admitted (September 2004 to February 2005) the facts and assured adherence to the extant rules in this regard.

5.1.9. Non-reconciliation of withdrawals and deposits

In order to ensure that all amounts drawn from the treasury have been entered in the cash book, the Head of Office should obtain from the Treasury Officer by the 15th of every month, a list of all bills drawn during the previous month and trace all amounts in cash book. Similarly, he should obtain from treasury, by the 15th of each month, a consolidated receipt for all remittances and reconcile it with the cash book.

Expenditure and receipts were not reconciled with Treasury

- In six ITIs[14] and one PI[15], reconciliation of withdrawals was not conducted with the treasury during the period from 2000-01 to 2004-05. Similarly, reconciliation of deposits with treasury was also not conducted by the Director Industrial Training for the period from April 2000 to September 2004 and three ITIs[16] and one PI[17] for the periods ranging from one to five years; no reasons for non-reconciliation were on record.

Improper maintenance of Punjab Government Employees Group Insurance Scheme (GIS) accounts

The GPF accounts and GIS schemes were not maintained as per instructions

5.1.10. As per the Punjab Government Employees Group Insurance Scheme, 1982, a consolidated statement of subscription received and payments made shall be sent by each Head of Office in respect of the members of the Scheme working in his office to the Head of his Department so as to reach there by the 20th of that month. Further the DDO will reconcile the total amount credited/ paid to/from the Saving Fund/Insurance Fund in respect of the establishment of his office with the figures booked in the office of the Accountant General (Accounts & Entitlements) Punjab, quarterly and record a certificate to this effect on the broadsheet maintained in his office.

The following irregularities in maintenance of the Punjab Government Employees GIS, 1982 were noticed in Audit:

- The Directorate had not received from its subordinate offices, consolidated statements, for the preceding five years (2000-01 to 2004-05), showing service- wise total amount of subscriptions received in the Saving Fund and Insurance Fund and payments made out of these funds to employees who resigned/retired or otherwise ceased to be in Punjab Government service or died in harness.

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14 ITC – MTI Jalandhar, Jagraon, Mohali, Manuke, Nakodar and Samrala.

15 Khunni Majra.

16 Mohali, Manuke from 2000-01 to 2004-05and Morinda from 2004-05.

17 Khunni Majra from 3/2004 onwards.

➤ Total amounts credited and debited to and from pertaining to both savings and insurance funds were not reconciled with the figures booked in the office of the Accountant General (Accounts & Entitlements) Punjab, quarterly and certificate to this effect was not recorded on the broadsheet maintained by the Directorate office, six ITIs[18], two PIs[19] and one TI for the period 2001-05.

Improper maintenance of general provident fund accounts

5.1.11. The subscription by employees to their General Provident Fund (GPF) is mandatory. The accretions to individual accounts of each employee is held by the Directorate in trust. Since the money deducted does not belong to the organisation, its safety and the correctness of accounts is of great importance. Inflated credits and deflated debits would cause over drawal from the fund; the reverse would affect the interests of the employees. However, maintenance of accounts of GPF was far from satisfactory inasmuch as the consolidated statement of interest allowed in the GPF accounts was not sent to the Accountant General by the Directorate for the period 2000-05 to ensure correct accounting. The broadsheet of GPF had not been maintained for 2000-01 onwards in the Directorate and in 16 ITIs[20], three PIs[21], ITCKT and TI. The statement of interest credited to GPF accounts had not been forwarded to the Directorate since 2000-01 onwards by 16 ITIs[22], five PIs[23], ITCKT and TI. The General Index Register had not been maintained as required under the provisions of GPF scheme in four ITIs[24], one PI[25], ITCKT and TI. GP Fund accounts were not maintained in the prescribed Ledger in Form- P.F.-9 in four ITIs[26].

On this being pointed out, the Department admitted (September 2004 to February 2005) the facts and stated that requisite records would be maintained in future.

Thus, there was complete lack of internal control over the preparation and maintenance of GPF accounts of employees and the submission of prescribed returns and information. The absence of a system of internal audit allowed the system to deteriorate.

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18 Gujjarwal, Jalandhar (W), ITC-MTI Jalandhar, Kartarpur, Manuke and Moga.
19 Jalandhar and GTB Garh (Moga).
20 Chuhar Chak, Gujjarwal, Jagraon, Jalandhar(W), ITC-MTI Jalandhar, Kharar, Kartarpur, Ludhiana(B), Manuke, Mohali,Morinda, Moga, Nakodar, Nangal, Ropar and Samrala.
21 Khuni Majra, Ludhiana(W) and GTB-Garh(Moga).
22 Anandpur Sahib, Chuhar Chak, Gujjarwal, Jagraon, Jalandhar(W), Kharar, Kartarpur, Ludhiana(B), Manuke, Mohali,Morinda, Moga, Nakodar, Nangal, Ropar and Samrala.
23 Jalandhar(W),Khuni Majra, Ludhiana(W), GTB Garh(Moga) and Ropar.
24 Gujjarwal, ITC-MTI Jalandhar, Manuke and Moga.
25 GTB Garh (Moga).
26 Ludhiana (W), Mohali, Morinda and Nakodar.

Administrative controls

5.1.12 The Industrial Training wing of the Directorate is required, as per the Training Manual, to conduct quarterly inspections of field units and institutes to obtain assurance that:

(i) technical training is being imparted to students in conformity with approved course content, periodicity and on regular basis;

(ii) there is no laxity on the part of the members of faculty;

(iii) there are no constraints of shortage of staff, funds or training infrastructure; and

(iv) the level of satisfaction of trainees is along the expected lines and also the existing system of training is adequate or needs change.

Inadequate field inspections

5.1.13. The Directorate prescribes maintenance of a register indicating the due dates of inspection of the field units and institutions. The prescribed register was not maintained. Further, the Principals of ITIs are also required to carry out inspections of institutes for ensuring smooth working of training programme and to increase the efficiency of administration. In audit it was noticed between September 2004 and February 2005 that:

Inspections conducted by Directorate were short by 83 *per cent* and no inspection was conducted by the head of the institution

- Against the required 2848 inspections to be conducted between January 2000 and December 2004, only 494 inspections (17 *per cent*) of ITIs were carried out by the Director Industrial Training. No record was, however, maintained to watch compliance of discrepancies found during inspection.

- In six ITIs[27] out of 19 test checked, the heads of institutions did not conduct inspections of institutes for ensuring smooth working of the training programme and to increase efficiency of the administration during 2000-01 to 2004-05 in contravention of the provisions of the training manual.

There was no internal control mechanism to watch whether inspections as required were conducted and the discrepancies pointed out therein were properly and effectively addressed.

The Department admitted the fact and stated that the needful will be done in future.

[27] Chuhar Chak, Jagraon, Kharar, Morinda, Moga and Nakodar.

Stores and stock

As per Punjab Financial Rules – Volume –I, the Head of an Office or any other officer entrusted with the store of any kind should maintain suitable accounts and inventories and prepare correct returns in respect of the stores in his charge. Further, a physical verification of all stores should be made at least once in every year by the Head of the Department.

Machinery register

5.1.14. Machinery register (containing details of description of machinery items) should be scrutinised by Directorate every year. In five ITIs[28], 32 units imparting training in various trades had been closed between 1992-93 and 2004-05 reportedly due to retirement and transfer of instructors or instructors proceeding on leave without pay. Machinery worth Rs 49.76 lakh was lying idle in these institutions since closure of the units. The machinery registers were never inspected by the Directorate. Consequently, neither were the closed units re-opened nor was the idle machinery transferred to the other institutions in need of such machinery. This resulted in denial of intended benefits to the trainees of the respective trades, besides loss to Government in the event of machinery becoming unfit through lack of use.

On this being pointed out the Department stated that units were temporarily closed for want of staff. The reply was not acceptable in view of the fact that physical verification was to be conducted by the Directorate.

Physical verification of stores and stock

5.1.15. In four ITIs[29] and one PI[30], physical verification of stores and stock had not been conducted for periods ranging from one to five years. Absence of periodical verification of store and stock at regular intervals not only reflects bad inventory management, it also denies the Directorate to prevent pilferage and unnecessary procurement.

Manpower management

5.1.16. The Directorate has the responsibility of providing adequate number of posts at various levels in each functional unit in the field and ensuring that qualified men are provided against the sanctioned posts. If the number of vacancies, especially in the cadre of instructors, is considerable and persistent, it is likely to adversely affect the work in qualitative and quantitative terms as the number of programmes would be reduced.

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28 Gujjarwal, Kartarpur, Moga, Nakodar and Samrala.

29 Chuhar Chak from 4/2003 to 2004-05, Nangal from 2000-01 to 2004-05, Jagraon from 2000-01 to 2004-05 and Nakodar from 2000-01 to 2004-05.

30 Ludhiana(W) from 7/2002 to 2004-05.

Under-utilisation of services of staff

5.1.17. In Government Polytechnic for Women(GPW), Ludhiana, six posts of faculty were sanctioned for the Modern Office Procedure Diploma course for thirty students against which five posts (one HOD + four lecturers) were operated with only five students in 2003-04 and one student in 2004-05 on the rolls of this course in the institution. Such an abnormal teacher pupil ratio escaped Directorate's notice for corrective action in the absence of a suitable internal control mechanism. These students could have been transferred to some other GPW where the number of students was deficient and the staff could be gainfully utilised in understaffed institutions at Amritsar, Jalandhar or some other place. No control record was prepared to watch deployment of staff. Absence of suitable internal control led to waste of human resources as well as money.

On this being pointed out, the Department stated (December 2004) that the staff was not surplus as work load with teachers was adequate and the consent of parents was necessary for shifting the students. The reply was not acceptable because neither was the consent of the parents of the affected students asked as per records nor the teaching of five students could be termed sufficient work load for a five member faculty.

Ineffective internal audit

5.1.18. One ACFA and two Section Officers in the Technical Education Wing and one DCFA in the Industrial Training Wing were posted by the Finance Department of the State Government for overseeing the work related to budget, finance and accounts. Their responsibilities included internal audit of the organisation. However, the Directorate did not provide them with full complement of SAS passed qualified personnel and the work of internal audit was not taken up by the Directorate.

Failure to set up an institutionalised system of internal audit affected the working of the Directorate and its field units in the key areas of administration, finance and accounting functions. In response to Audit observations, the Directorate explained that there was no instruction for conducting internal audit. Their reply is not acceptable because the State Government's extant orders contemplate internal audit by SAS qualified personnel posted by the Finance Department in the Directorate.

Conclusion

5.1.19. The internal controls viz. expenditure control, control in store management, administrative controls, manpower management were inadequate and ineffective in Polytechnic Institutes and Industrial Training Institutes under the control of the Director, Technical Education and Industrial Training Department. The basic checks such as proper maintenance of cash book, submission of reports and returns and preparation of budget were disregarded. Inadequate field inspections and under utilisation of services of staff showed lack of administrative controls. General failure to observe internal control procedures increased the risk of misappropriation and fraud taking place and remaining unnoticed.

Recommendations

- The tendency of the Department to over pitch its requirement of funds should be checked by the Government in order to allocate financial resources to other Departments more in need of funds.
- A system of periodical review of expenditure should be considered to avoid over-spending under certain heads of expenditure and ensuring timely surrender of funds.
- A system of internal control and internal audit should be put in place in order to effectively oversee the working of the Department, optimizing its output and safeguard against errors, irregularities in operational & financial matters and achieve greater efficiency.

The matter was reported to the Government (April 2005); no reply has been received (December 2005).

CHANDIGARH
The 13 FEB 2006

(SUNIL VERMA)
Pr. Accountant General (Audit), Punjab

Countersigned

NEW DELHI
The 14 FEB 2006

(VIJAYENDRA N. KAUL)
Comptroller and Auditor General of India

APPENDICES

Appendix-I

(Refers to Paragraph 1.4, Page 5)

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 authorisation 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.

II. Form of Annual Accounts

The accounts of the State Government are prepared in two volumes *viz.*, the Finance Accounts and the Appropriation Accounts. The Finance Accounts present the details of all transactions pertaining to both receipts and expenditure under appropriate classification in the Government accounts. The Appropriation Accounts, present the details of expenditure by the State Government *vis-a-vis* the amounts authorised by the State Legislature in the budget grants. Any expenditure in excess of the grants requires regularisation by the Legislature.

Part B – 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
Balance from Current Revenue (BCR)	Revenue Receipts minus all Plan grants and Non Plan Revenue expenditure excluding debits under 2048 – Appropriation for reduction or avoidance of Debt.

Appendix-II

(Refers to Paragraph 1.8.1, Page 14)

SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF PUNJAB AS ON 31 MARCH 2005

(Rupees in crore)

As on 31.03.2004	Liabilities		As on 31.03.2005
25226.42	**Internal Debt -**		**30396.89**
6059.25	Market Loans bearing interest	7718.66	
0.40	Market Loans not bearing interest	0.18	
150.04	Loans from LIC	7.31	
7121.35	Loans from other Institutions	7306.30	
455.27	Ways and Means Advances/Overdrafts from Reserve Bank of India	283.30	
11440.11	Special Securities issued to National Small Savings Fund of Central Government	15081.14	
9419.13	**Loans and Advances from Central Government -**		**7398.73**
37.84	Pre 1984-85 Loans	19.89	
1830.75	Non-Plan Loans	781.48	
7473.09	Loans for State Plan Schemes	6522.44	
0.05	Loans for Central Plan Schemes	-	
77.40	Loans for Centrally Sponsored Plan Schemes	74.92	
--	Other Ways and Means Advances	-	
25.00	**Contingency Fund**		**25.00**
6766.90	**Small Savings, Provident Funds, etc.**		**7186.33**
1250.08	**Deposits**		**1459.33**
679.42	**Reserve Funds**		**1106.02**
99.00	**Remittance Balances**		**101.35**
43465.95			**47673.65**
	Assets		
12191.00	**Gross Capital Outlay on Fixed Assets -**		**13272.11**
2358.74	Investments in shares of Companies, Corporations, etc.	3544.55[1]	
9832.26	Other Capital Outlay	9727.56	
6038.18	**Loans and Advances -**		**5681.46**
4572.63	Loans for Power Projects	4284.68	
1026.49	Other Development Loans	1021.76	
439.06	Loans to Government servants and Miscellaneous loans	375.02	
0.68	**Advances**		**0.69**
74.30	**Suspense and Miscellaneous Balances**		**79.26**
373.13	**Cash -**		**460.92**
	Cash in Treasuries and Local Remittances	---	
(-)15.21	Deposits with Reserve Bank	81.52	
141.65	Departmental Cash Balance	132.68	
0.16	Permanent cash imprest	0.19	
144.51	Investment of Earmarked Funds	144.51	
102.02	Cash Balance Investments	102.02	
24788.66	**Deficit on Government Accounts -**		**28179.21**
3562.96	Revenue Deficit of the Current Year	3390.55	
--	Other adjustments	-	
21225.70	Accumulated deficit up to previous year	24788.66	
--	Proforma correction	-	
43465.95			**47673.65**

[1] Differs by Rs 0.26 crore with investments (Rs 3544.81 crore) as per Statement No.-14 of Finance Account for 2004-05.

Appendix –III
(Refers to Paragraph 1.8.1, Page 14)
TIME SERIES DATA ON STATE GOVERNMENT FINANCES

(Rupees in crore)

	2000-2001	2001-2002	2002-03	2003-04	2004-05
Part A. Receipts					
1. Revenue Receipts	**9377**	**8929**	**11071**	**12139**	**13807**
(i)Tax Revenue	4895 (52)	4820(54)	5711 (52)	6146 (51)	6944 (50)
Taxes on Agricultural Income	--	--	--	--	-
Taxes on Sales, Trades etc.	2645 (54)	2684(56)	3072(54)	3308 (54)	3816 (55)
State Excise	1325 (27)	1350(28)	1429(25)	1463 (24)	1487 (21)
Taxes on vehicles	338 (7)	318(7)	444(8)	389 (6)	404 (6)
Stamps and Registration fees	424 (9)	444(9)	559(10)	729 (12)	966 (14)
Land Revenue	7	9	9	13	14
Other Taxes	156 (3)	15	198 (3)	244 (4)	258 (4)
(ii) Non Tax Revenue	2935 (31)	2960(33)	4036(36)	4666 (38)	5358 (39)
(iii) State's share of Union taxes and duties	720 *(8)	611(7)	649(6)	754 (6)	903 (7)
(iv) Grants in aid from GOI	827 (9)	538(6)	675(6)	573 (5)	602 (4)
2. Misc Capital Receipts	--	--	--	--	-
3. Total revenue and Non debt capital receipts (1+2)	**9377**	**8929**	**11071**	**12139**	**13807**
4. Recoveries of Loans and Advances	**127**	**872**	**103**	**105**	**134**
5. Public Debt Receipts	**4996**	**6681**	**6246**	**7337**	**6361**
Internal Debt (excluding Ways & Means Advances and Overdrafts)	4364	5719	5827	6526	5791
Net transactions under Ways and Means advances and Overdraft	8	126	--	269	22
Loans and Advances from Government of India•	624	836	419	542	548
6. Total receipts in the Consolidated Fund (3+4+5)	**14500**	**16482**	**17420**	**19581**	**20302**
7. Contingency Fund Receipts	--	3	--	--	-
8. Public Account Receipts	**11049**	**14171**	**11972**	**10111**	**12846**
9. Total receipts of the State (6+7+8)	**25549**	**30656**	**29392**	**29692**	**33148**
Part B. Expenditure/Disbursement					
10. Revenue Expenditure	**11713 (87)**	**12710(86)**	**14825(95)**	**15702 (92)**	**17198 (95)**
Plan	829 (7)	865(7)	708(5)	615 (4)	466 (3)
Non Plan	10884 (93)	11845(93)	14117(95)	15087 (96)	16732 (93)
General Services	4188(36)	4389(35)	5638(38)	5639 (36)	5869 (32)
Interest	2343(20)	3178(25)	3434(23)	3712 (24)	3981 (22)
Social Services	2993 (25)	3111(24)	3222(22)	3368 (21)	3536 (20)
Economic Services	2100 (18)	1866(15)	2310(16)	2939 (19)	3738 (21)
Grants-in-aid and Contributions	89 (1)	166(1)	221(1)	44	74
11. Capital Expenditure	**1393 (11)**	**984(7)**	**420(3)**	**665 (4)**	**761 (4)**
Plan	697 (50)	952(97)	897(214)	623 (94)	650 (85)
Non Plan	696 (50)	32(3)	-477(-114)	42 (6)	111 (15)
General Services	43 (3)	22(2)	21(5)	18 (3)	51 (7)
Social Services	53 (4)	54(6)	22(5)	5	92 (12)
Economic Services	1297 (93)	908(92)	377(90)	642 (97)	618 (81)
12. Disbursement of Loans and Advances	**302 (2)**	**1066(7)**	**339(2)**	**757 (4)**	**97 (0.5)**
13. Total (10+11+12)	**13408**	**14760**	**15584**	**17124**	**18056**
14. Repayments of Public Debt	**1468**	**2556**	**2445**	**3089**	**2817**
Internal Debt (excluding Ways and Means Advances and Overdraft)	**836**	**1766**	**663**	**193**	**448**
Net transactions under Ways and Means advances and Overdraft	--	--	**352**	--	--

* Higher rounding taken.

• Includes Ways and Means Advances from GOI.

Loans and Advances from Government of India*	**632**	**790**	**1430**	**2896**	**2369**
15. Appropriation to Contingency Fund	**--**	**--**	**--**	**--**	**-**
16. Total disbursement out of Consolidated Fund (13+14+15)	**14876**	**17316**	**18029**	**20213**	**20873**
17. Contingency Fund disbursements	**--**	**--**	**--**	**--**	**-**
18. Public Account disbursements	**10359**	**13428**	**11395**	**9347**	**11794**
19. Total disbursements by the State (16+17+18)	**25235**	**30744**	**29424**	**29560**	**32667**
Part C. Deficits					
20. Revenue Deficit (1-10)	**2336**	**3781**	**3754**	**3563**	**3391**
21. Fiscal Deficit (3+4-13)	**3904**	**4959**	**4410**	**4880**	**4115**
22. Primary Deficit (21-23)	**1561**	**1781**	**976**	**1168**	**134**
Part D Other data					
23. Interest Payments (included in revenue expenditure)	**2343**	**3178**	**3434**	**3712**	**3981**
24. Balance from Current Revenue (BCR)	(-)1893	(-)3295	(-)3415	(-) 3387	(-) 3341
25. Arrears of Revenue (Percentage of Tax & non-Tax Revenue Receipts)	3439(44)	3760(48)	3005(31)	2805(26)	965 (8)
26. Financial Assistance to local bodies etc.	357	370	363	216	352
27. Ways and Means Advances/Overdraft availed (days)	146/107	140/119	190/53	159/134	156/117
28. Interest on WMA/Overdraft	7/2	9/4	9/1	12/2	10/2
29.Gross State Domestic Product (GSDP)	68448	76860	86260	95947	107384
30. Outstanding Debt (year end)	28957	33921	38315	43197	47403
31. Outstanding guarantees (year end)	8990	10584	13734	12242	8884
32. Maximum amount guaranteed (year end)	7331	10244	17720	22951	23420
33. Number of incomplete projects	10	11	7	8	10
34. Capital blocked in incomplete projects	548	1177	859	795	882

Note: Figures in brackets represent percentages (rounded) to total of each sub heading
GSDP for 2004-05 worked out on average growth rate.

* Higher rounding taken.

Appendix-IV[2]

(Refers to Paragraph 1.8.4, Page 14)

Statement showing details of amount invested and accumulated losses in Statutory Corporations and Government Companies

(Rupees in crore)

Sr. No.	Name of the Statutory Corporation & Government Companies	Amount invested upto end of 2004-05	Accumulated losses	Period upto which accounts finalised
1.	Punjab Financial Corporation, Chandigarh	29.31[3]	237.92	2003-04
2.	PEPSU Road Transport Corporation, Patiala	86.82	289.24	2002-03
3.	Punjab State Electricity Board	2806.11[2]	708.38	2002-03
4.	Punjab State Seeds Corporation Ltd., Chandigarh	4.51[2]	4.65	2003-04
5.	Punjab Agro Industries Corporation Ltd.	45.46	9.93	2003-04
6.	Punjab Dairy Development Corporation Ltd., Chandigarh	4.80	4.80	2000-01
7.	Punjab Export Corporation Ltd., Chandigarh	0.09	0.27	1977-78
8.	Punjab State Industrial Development Corporation Ltd., Chandigarh	78.22	316.68	2002-03
9.	Punjab Poultry Corporation Ltd., Chandigarh	3.09[2]	5.90	2002-03
10.	Punjab State Tubewell Corporation Ltd., Chandigarh	150.67[2]	410.18	2000-01
11.	Punjab Film & News Corporation, Chandigarh	1.51	2.01	1997-98
12.	Punjab State Civil Supplies Corporation, Chandigarh	3.73	488.88	2003-04
13.	Punjab State Handloom & Textile Development Corporation, Chandigarh	3.63	8.30	1999-2000
14.	Punjab Hosiery & Knitwear Development Corporation, Chandigarh	3.91	16.63	2003-04
15.	Punjab State Tourism Development Corporation, Chandigarh	6.66[2]	11.88	2003-04
16.	Punjab Leather Development Corporation, Chandigarh	3.42	6.22	1996-97
17.	Punjab Bus Stand Management Corporation, Chandigarh	6.15[2]	8.38	1998-99
18.	Punjab State Container & Warehousing Corporation	25.00	4.52	2003-04
	Total	**3263.09**	**2534.77**	

2 Refer Finance Account 2004-05: Statement No.14/Page 198.

3 The figures have been adopted from footnotes on pages: 199, 201, 203, 205, 207, 209, 211 of Finance Account for the year 2004-05

Appendix – V
(Refers to Paragraph 2.3.1, Page 26)
Statement showing major savings

Grant No.	Head of account	Savings (Rupees in crore)
1	**Agriculture and Forests**	
	2406-Forestry and Wild Life, Forestry, Social and Farm Forestry, Externally Aided Social Forestry Development Project (Plan)	16.90
	2401-Crop Husbandry, Direction and Administration, Centrally Sponsored and Macro Management Work-Plan for Agriculture Department (CSS)	10.31
5	**Education**	
	2202-General Education, Elementary Education, Government Primary Schools Government Primary Schools	123.56
	Secondary Education, Government Secondary Schools, Government Secondary Schools,	69.94
	Elementary Education, Government Primary Schools, Sarv Shiksha Abhiyan (Plan)	41.47
	University and Higher Education, Assistance to Non-Government Colleges and Institutes, Assistance to Non-Government Colleges and Institutes	26.97
	Secondary Education, Teachers Training, Government Junior Basic Teachers Training (CSS)	21.72
	Elementary Education, Other expenditure, Sarv Shiksha Abhiyan (CSS)	204.76
	Secondary Education, Government Secondary Schools, Infrastructural Development of Schools Colleges (Education Cess) (Plan)	35.00
	4202-Capital Outlay on Education, Sports, Arts and Culture, General Education, Elementary Education, Sarv Shiksha Abhiyan (Plan)	32.54
	General Education, Secondary Education, Sarv Shiksha Abhiyan (CSS)	100.85
8	**Finance**	
	2049-Interest payments, Interest on Internal Debt, Interest on other Internal Debts, Interest on Temporary Loans obtained from the State Bank of India and other Banks for purchase of Foodgrains	56.76
	Interest on Reserve Funds, Interest on General and other Reserve Funds, Interest on General and other Reserve Funds (Natural Calamity Fund)	35.17
	6004-Loans and Advances from the Central Government, Non Plan Loans, Share of Small Savings Collections, Share of Small Savings Collections	2046.52
	6003-Internal Debt of the State Government, Loans from other Institutions, Loans from other Institutions	176.41
	Loans from the State Bank of India and other Banks – Loans from the State Bank of India	246.00
9	**Food and Supplies**	
	4408-Capital Outlay on Food Storage and Warehousing – 101-Procurement and supply- 01-Provincial Reserve Food Scheme	223.40

11	**Health and Family Welfare**	
	2210-Medical and Public Health, Rural Health Services, Allopathy, Subsidiary Health Centres, Subsidiary Health Centres	26.62
	Urban Health Services-Allopathy, Direction and Administration, World Bank aided Area Project for the development of Health Care in Punjab (90:10) sharing basis between Government of India and State Government (Plan)	22.53
13	**Industries**	
	2852-Industries, General, Other expenditure, Freight subsidy for Export to existing Small and Medium Units (INIP-2003) (Plan)	25.00
15	**Irrigation and Power**	
	2801-Power, General, Other expenditure, Subsidy under Rural Electrification of Punjab Electricity Board)	196.37
	2701-Major and Medium Irrigation, Major Irrigation, Commercial, Sirhind Canal System, Direction and Administration	52.62
	Other expenditure including interest	42.71
	Beas Project Unit I (B.S.L.) Direction and Administration	24.15
	4701-Capital Outlay on Major and Medium Irrigation, Major Irrigation Commercial, Sirhind Canal System, Direction and Administration	20.84
	4801-Capital Outlay on Power Project, General, Investments in State Electricity Board, Assistance to P.S.E.B.	400.00
	6801-Loans for Power Projects, Hydel Generation, Transmission and Distribution system (including APDRP) (Plan)	62.26
	4701-Capital Outlay on Major and Medium Irrigation, Medium Irrigation Commercial, Extension of Phase II of Kandi Canal from Hoshiarpur to Balachaur (R.D. 59.5 to 73.50) Works expenditure (Plan)	23.41
17	**Local Government, Housing and Urban Development**	
	3604-Compensation and Assignments to Local Bodies and Panchayati Raj Institutions, Other Miscellaneous Compensations and Assignments, Grant-in-aid to Municipal Committees/Corporations/Notified Area Committees in lieu of abolition of octroi in the State	49.24
	4217-Capital Outlay on Urban Development, Other Urban Development Schemes, Other expenditure, Prevention of Pollution of River Sutlej, Cost of Land (CSS)	70.00
	6216-Loans for Housing, Urban Housing, Loans to Housing Boards, Loans to Punjab State Housing Board (PUDA) (CSS)	57.12
19	**Planning**	
	3451-Secretariat Economic Services, Planning Commission, Planning Board, Formulation of District Plan at District Headquarters (Plan)	216.15
	5475-Capital Outlay on other General Economic Services – Statistics, Formulation of District Plan at District headquarters (Plan)	245.99
21	**Public Works**	
	2215-Water Supply and Sanitation, Water Supply, Direction and Administration, Direction and Administration,	68.49
	Rural Water Supply Programmes, Accelerated Rural Water Supply Programmes (CSS)	56.51
	2059-Public Works, General, Direction and Administration, Direction	32.69
	2215-Water Supply and Sanitation, Sewerage and Sanitation, Sewerage Services, Sewerage Services Rural Water Supply (PMGY) (Plan)	22.00

	5054-Capital Outlay on Roads and Bridges, State Highways, Other expenditure NABARD Assisted Project for Construction/widening of Roads and Construction of Bridges and Buildings Infrastructure (Plan)	184.36
	Central Road Fund (Plan)	66.06
	4215-Capital Outlay on Water Supply and Sanitation, Water Supply, Rural Water Supply, R.W.S. – 8 – NABARD aided R.W.S. (Plan)	63.00
	Accelerated R.W.S. Programme (CSS)	50.00
	Rajiv Gandhi R.W.S. Mission (CSS)	20.00
	5054-Capital Outlay on Roads and Bridges, State Highways, Other expenditure Prime Minister Gramin Sadak Yojana (PMGSY) (CSS)	25.00
23	**Rural Development and Panchayats**	
	3604-Compensation and Assignments to Local Bodies and Panchayati Raj Institutions, Other Miscellaneous Compensations and Assignments, Compensation to Gram Panchayat Samitites in lieu of Tax on the sale of Country Liquor	29.50
	2515-Other Rural Development Programmes, Other expenditure, Sampuran Gramin Rojgar Yojna (CSS)	28.50
	3604-Compensation and Assignments to Local Bodies and Panchayati Raj Insittutions, Other Miscellaneous Compensations and Assignments, Incentive Fund to Panchayati Raj Institutions as per recommendation of 2nd Punjab Finance Commission	20.00
	4515-Capital Outlay on Other Rural Development Programmes, Rural Development, Sampuran Gramin Rojgar Yojana (CSS)	28.50
	Environment Improvement of SC Basties/villages with stress on sanitation (Plan)	20.00

Appendix -VI

(Refers to Paragraph 2.3.2, Page 26)

Substantial Savings in Grants/Appropriations

Sr. No.	Grants/Head of Account	Provision	Saving *(Per cent)*	Contributing reasons as stated by Government/ Department
		(Rupees in lakh)		
	02-Animal Husbandry			
	Revenue Plan CSS			
1.	2403-Animal Husbandry 101-Veterinary Services and Animal Health 18-Foot and Mouth Disease Control Programme (100% GOI) 99-No Detailed Head (Voted)	400.00	330.79 (82.70)	Remaining amount was not released by the Government.
	Revenue Plan Share			
2	2404-Dairy Development 102-Dairy Development Projects 03-Financial Assistance to Dairy Co-operative to Meet Out their Losses (Voted)	324.00	324.00 (100)	Bills were not passed by the treasury.
3	2425-Co-operation 107-Assistance to Credit Co-operatives 02-Assistance for Integrated Co-operative Development Project (Voted)	295.84	295.84 (100)	Grant was not sanctioned by the Finance Department.
	Revenue Plan State			
4	2404-Dairy Development 102-Dairy Development Projects 03-Financial Assistance to Diary Co-operative to meet out their Losses (Voted)	324.00	324.00 (100)	The bill was not passed by the treasury.
5.	2425-Co-operation 107-Assistance to Credit Co-operatives 02-Assistance For Integrated Co-operative Development Project (Voted)	295.84	295.84 (100)	Grant was not sanctioned by the Finance Department.
	Capital Plan CSS			
6.	4425-Capital Outlay on Co-operation 107-Investment in Credit Co-operatives 02-Assistance Share Capital For Integrated Co-operative Development Project Including Preparation of Project Report (Voted)	1140.54	1140.54 (100)	Grant was not sanctioned by the Finance Department.

7	6425-Loans for Co-operation 107-Loans to Credit Co-operatives 09-Assistance as Share Capital and Loan For Integrated Co-operative Development Project (Voted)	336.92	336.92 (100)	Grant was not sanctioned by the Finance Department.
	06-Election			
	Revenue Non Plan State			
8	2015-Elections 102-Electoral Officers 01-Electoral Officers (Voted)	948.11	388.46 (40.97)	Due to non receipt of bills from Presses/Firms upto 31.03.2005 and non passing of bills from the treasury.
9	105-Charges For Conduct of Elections to Parliament 01-Elections to Parliament (Voted)	1235.60	211.19 (17.09)	Due to non receipt of bills from Presses/Firms upto 31.03.2005 and non passing of bills from the treasury.
	24-Science, Technology and Environment			
	Revenue Plan CSS			
10	3425-Other Scientific Research 60-Others 800-Other Expenditure 10-Setting up of I.R.E.P. Cell at State and District Level (Voted)	250.00	250.00 (100)	Grant not released by the Government.
	Capital Plan CSS			
11	5425-Capital Outlay on Other Scientific and Environmental Research 208-Ecology and Environment 31-Harike Wetland Project (Voted)	260.00	260.00 (100)	Grant not released by the Government.
12.	37-Setting up of Bio-Technology Park in Punjab 99-No Detailed Head (Voted)	350.00	350.00 (100)	Grant not released by the Government.
	Capital Plan Share			
13.	5425-Capital Outlay on Other Scientific and Environmental Research 208-Ecology and Environment 11-Energy Recovery From Urban Municipal Industrial Waste (Voted)	1500.00	1500.00 (100)	Grant not released by the Government.
14	15-Solar Power Generation (Voted)	1500.00	1500.00 (100)	Grant not released by the Government.
15.	22-Solar Photo Voltaic Demonstration Programme (35% Beneficiaries) (Voted)	210.00	210.00 (100)	Grant not released.

16.	25-Integrated Rural Energy Programme – Solar Water Pumping Programme (10% Beneficiary) (Voted)	1225.00	1225.00 (100)	The Department stated that Rs 3.75 crore were released but this relates to the same scheme under Capital Plan State.
17.	26-Promotion for MRSE including SPY Devices in Rural Area (35% Beneficiary) (Voted)	210.00	210.00 (100)	Grant not released by the Government.
18.	27-Setting up of Science City at Jalandhar (Scientific Research) (Voted)	1150.00	1150.00 (100)	The Department stated that Rs 3.03 crore were released but this relates to the same scheme under Capital Plan State.
	Capital Plan State			
19.	5425-Capital Outlay on Other Scientific and Environmental Research 208-Ecology and Environment 09-Setting up of Science City at Jalandhar Kapurthala Road (Voted)	574.00	270.92 (47.20)	Balance grant not released by the Government.
	28-Tourism and Cultural Affairs			
	Capital Plan State			
20.	4202-Capital Outlay on Education, Sports, Art and Culture 04-Art and Culture 106-Museums 05-Anandpur Sahib Foundation for Khalsa Heritage Complex 99-No Detailed Head (Voted)	1823.00	1823.00 (100)	Grant was not sanctioned by the Government.
21.	06-Centenary, Heritage, Infrastructure Development and Maintenance including Preservation of Quila Mubarak at Patiala (Voted)	300.00	300.00 (100)	The project was not finalised/sanctioned by the Government.
	Grand Total		**12696.50**	

Appendix–VII

(Refers to Paragraph 2.3.3, Page 27)

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

Sr. No.	Grant No.	Head of Account	Year								
			2002-03			2003-04			2004-05		
			Provision	Expen-diture	Saving (Percentage of saving)	Provision	Expen-diture	Saving (Percentage of saving)	Provision	Expen-diture	Saving (Percentage of saving)
		Name of Grant	(Rupees in Crore)								
		Revenue (Voted)									
1.	1-Agriculture and Forests	2406-Forestry and Wild Life – Forestry – Social and Farm Forestry-Externally Aided Social Forestry Development Project (Plan)	68.43	43.22	25.21 (36.84)	81.39	60.84	20.55 (25.25)	64.20	47.30	16.90 (26.32)
2.	5-Education	2202-General Education-Secondary Education – Government Secondary Schools – Introduction of 10+2 system of Education in Government Schools (Adhoc)-(Plan)	30.25	19.12	11.13 (36.79)	32.00	17.54	14.46 (45.19)	25.00	18.80	6.20 (24.80)
3.	15-irrigation and Power	2701-Major and Medium Irrigation – Major Irrigation – Commercial – Sirhind Canal System – Other expenditure including interest	44.30	0.74	43.56 (98.33)	44.30	0.74	43.56 (98.33)	44.30	1.58	42.72 (96.43)
4.	19-Planning	3451-Secretariat Economic Services – Planning Commission – Planning Board – Formulation of District Plan at District Headquarters (Plan)	227.24	132.91	94.33 (41.51)	282.04	162.37	119.67 (42.43)	278.31	62.16	216.15 (77.66)
5.	21-Public Works	2215-Water Supply and Sanitation – Water Supply – Rural Water Supply Programmes – Accelerated Rural Water Supply Programmes (CSS)	106.25	24.13	82.12 (77.29)	93.60	17.70	75.90 (81.09)	80.00	23.49	56.51 (70.64)

6.		2059- Public Works – Other Buildings – Construction – Other Administrative Services	10.30	2.92	7.38 (71.65)	15.30	0.06	15.24 (99.61)	14.30	9.22	5.08 (35.52)
7.		2215-Water Supply and Sanitation – Sewerage and Sanitation – Sewerage Services – Rural Water Supply (PMGY) (Plan)	19.99	-	19.99 (100)	20.00	-	20.00 (100)	22.00	-	22.00 (100)
8.	**23-Rural Development and Panchayats**	2515-Other Rural Development Programmes – Other expenditure Sampuran Gramin Rozgar Yojana – (CSS)	46.88	-	46.88 (100)	21.78	-	21.78 (100)	28.50	-	28.50 (100)
		Capital (Voted)									
9.	**3-Co-operation**	4425-Capital Outlay on Co-operation – Investment in Credit Co-operatives – Assistance as share capital for integrated Co-operative Development Project (including preparation of project report) (CSS)	10.12	-	10.12 (100)	11.41	-	11.41 (100)	11.41	-	11.41 (100)
10.	**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	-	10.00 (100)	10.00	-	10.00 (100)	10.00	-	10.00 (100)
11.		Works expenditure (I) Counter Protective Works (CSS)	10.00	-	10.00 (100)	10.00	-	10.00 (100)	10.00	-	10.00 (100)
12.		4711-Capital Outlay on Flood Control Projects –Drainage Civil Works – Project for Construction of Flood Protection Works on river Ghaggar and its tributaries in Districts Patiala and Fatehgarh Sahib of Punjab RIDF (Plan)	10.00	-	10.00 (100)	9.00	-	9.00 (100)	10.00	-	10.00 (100)

13.	**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)	75.00	-	75.00 (100)	70.00	-	70.00 (100)	70.00	-	70.00 (100)
14.		4217-Capital Outlay on Urban Development – Other Urban Development Schemes – Other expenditure –Sawarn Jayanti Shehri Rozgar Yojana (CSS)	6.00	-	6.00 (100)	7.50	-	7.50 (100)	8.25	-	8.25 (100)
15.	**19-Planning**	5475-Capital Outlay on Other General Economic Services – Statistics – Formulation of District Plan at District Headquarters (Plan)	155.59	85.16	70.43 (45.27)	314.06	45.47	268.59 (85.52)	268.96	22.97	245.99 (91.46)
16.	**21-Public Works**	5054-Capital Outlay on Roads and Bridges – State Highways – Other expenditure NABARD Assisted Project for Construction/Widening of Roads and Construction of Bridges and Buildings – Infrastructure (Plan)	124.00	83.77	40.23 (32.44)	150.00	81.90	68.10 (45.4)	300.00	115.64	184.36 (61.45)
17.	**23-Rural Development and Panchayats**	4515-Capital Outlay on Other Rural Development Programmes – Rural Development – Indira Awas Yojana (CSS)	10.50	-	10.50 (100)	6.26	-	6.26 (100)	13.20	-	13.20 (100)
18.		4515-Capital Outlay on Other Rural Development Programmes – Rural Development –Sampuran Gramin Rozgar Yojana (CSS)	46.87	-	46.87 (100)	21.78	-	21.78 (100)	28.50	-	28.50 (100)
		Capital (Charged)									
19.	**08-Finance**	6003-Internal Debt of the State Government – Loans from the State Bank of India and other Banks – Loans from the State Bank of India	1731.00	451.39	1279.61 (73.92)	2044.00	28.67	2015.33 (98.60)	246.00	-	246.00 (100)
		TOTAL	**2742.72**	**843.36**	**1899.36**	**3244.42**	**415.29**	**2829.13**	**1532.93**	**301.16**	**1231.77**

Appendix–VIII

(Refers to Paragraph 2.3.5, Page 27)

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.	02-Animal Husbandry and Fisheries	140.04	7.76	126.03	21.77
2.	04-Defence Services Welfare	20.54	6.02	17.65	8.91
3.	09-Food & Supplies	51.32	0.27	46.84	4.75
4.	10-General Administration	77.87	7.78	76.77	8.88
5.	12-Home Affairs and Justice	1234.02	1.15	1211.35	23.82
6.	15-Irrigation and Power	2942.28	10.12	2651.31	301.09
7.	25-Social and Women Welfare and Welfare of Scheduled Castes and Backward Classes	184.61	3.13	93.22	94.52
8.	30-Vigilance	10.45	0.75	10.38	0.82
Revenue (Charged)					
9.	18-Personnel and Administrative Reforms	1.95	0.16	1.70	0.41
10.	21-Public Works	2.15	1.00	0.05	3.10
Capital (Voted)					
11.	10-General Administration	5.35	1.90	2.65	4.60
12.	11-Health and Family Welfare	14.70	7.10	3.46	18.34
13.	12-Home Affairs and Justice	60.24	16.51	40.00	36.75
14.	13-Industries	4.16	0.42	2.49	2.09
15.	15-Irrigation and Power	820.09	26.90	386.27	460.72
16.	17-Local Government Housing & Urban Development	215.23	77.14	70.56	221.81
17.	21-Public Works	470.91	184.39	129.41	525.89
18.	28-Tourism and Cultural Affairs	18.29	9.31	0.01	27.59
	Total	**6274.20**	**361.81**	**4870.15**	**1765.86**

Appendix–IX

(Refer to Paragraph 2.3.5, Page 27)

Excessive supplementary grants

(Rupees in crore)

Serial number	Grant/ appropriation	Amount of grant/appropriation				
		Original	**Supple-mentary**	**Total**	**Actual expenditure**	**Saving**
Revenue-(Voted)						
1.	26-State Legislature	11.86	2.90	14.76	12.59	2.17
2.	28-Tourism and Cultural Affairs	7.45	6.39	13.84	10.87	2.97
Revenue (Charged)						
3.	09-Food and Supplies	0.05	2.23	2.28	2.16	0.12
Capital (Voted)						
4.	08-Finance	19.20	2.35	21.55	19.23	2.32
5.	23-Rural Development and Panchayats	127.58	99.54	227.12	156.46	70.66
	TOTAL	**166.14**	**113.41**	**279.55**	**201.31**	**78.24**

Appendix–X

(Refers to Paragraph 2.3.6, Page 27)

Cases where savings were not surrendered

(Rupees in crore)

Sr. No.	Grant	Saving	Amount Surrendered
Revenue (Voted)			
1.	04-Defence Service Welfare	8.91	-
2.	10-General Administration	8.88[1]	-
3.	13-Industries	55.04	-
4.	15-Irrigation and Power	301.09	-
5.	16-Labour and Employment	1.98	-
6.	22-Revenue and Rehabilitation	2.60	-
7.	23-Rural Development and Panchayats	119.16	-
8.	24-Science, Technology and Environment	3.94	-
9.	26-State Legislature	2.17	-
10.	28-Tourism and Cultural Affairs	2.97	-
11.	29-Transport	37.70	-
Revenue (Charged)			
12.	05-Education	2.81	-
13.	21-Public Works	3.10	-
Capital (Voted)			
14.	05-Education	163.71	-
15.	08-Finance	2.32	-
16.	10-General Administration	4.60	-
17.	11-Health and Family Welfare	18.34	-
18.	12-Home Affairs & Justice	36.75	-
19.	13-Industries	2.09	-
20.	15-Irrigation and Power	460.72	-
21.	19-Planning	259.43	-
22.	21-Public Works	525.89	-
23.	22-Revenue and Rehabilitation	2.80	-
24.	23-Rural Development and Panchayats	70.66	-
25.	24-Science, Technology and Environment	78.06	-
26.	28-Tourism and Cultural Affairs	27.59	-
27.	29-Transport	34.87	-
Capital (Charged)			
28.	08-Finance	868.56	-
	Total	**3106.74**	**Nil**

1 Rs 45,000 were only surrendered

Appendix–XI
(Refers to Paragraph 2.3.6, Page 27)

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 Forest	89.30	14.41	74.89	83.86
2.	02-Animal Husbandry and Fisheries	21.78	3.21	18.57	85.26
3.	03-Co-operation	25.74	10.65	15.09	58.62
4.	05-Education	618.96	3.04	615.92	99.51
5.	06-Elections	14.15	5.27	8.88	62.76
6.	07-Excise and Taxation	5.90	0.61	5.29	89.66
7.	09-Food and Supplies	4.75	2.41	2.34	49.26
8.	11-Health and Family Welfare	165.91	5.15	160.76	96.90
9.	12-Home Affairs and Justice	23.83	2.57	21.26	89.22
10.	14-Information and Public Relations	3.70	1.28	2.42	65.40
11.	17-Local Government, Housing and Urban Development	60.07	0.05	60.02	99.92
12.	19-Planning	217.51	0.32	217.19	99.85
13.	27-Technical Education and Industrial Training	42.38	6.89	35.49	83.74
Capital (Voted)					
14.	01-Agriculture and Forest	28.16	15.18	12.98	46.09
15.	02-Animal Husbandry and Fisheries	21.91	13.87	8.04	36.70
16.	03-Co-operation	94.94	77.74	17.20	18.12
17.	17-Local Government, Housing and Urban Development	221.81	32.47	189.34	85.36
	Total	**1660.80**	**195.12**	**1465.68**	

Appendix–XII
(Refer to Paragraph 2.3.9 Page 28)

Statement showing Head and Sub Head-wise cases of significant and persistent excess over grants/ appropriations

Sr. No.	Grant No. , Head and Sub Head	Amount of Excess								
		2002-2003			2003-2004			2004-05		
		Provision	Expenditure	Excess	Provision	Expenditure	Excess	Provision	Expenditure	Excess
Revenue (Voted)		(Rupees in crore)								
	15-Irrigation & Power									
1.	2701-Major and Medium Irrigation 01-Major Irrigation-Commercial 125-Lining of Channels 07-Other expenditure including interest	0	23.40	23.40	0	23.40	23.40	0	1.64	1.64
2.	2701-Major and Medium Irrigation 01-Major Irrigation-Commercial 141-Sutlej Yamuna Link Canal Project 07-Other expenditure including interest	0	16.80	16.80	0	16.80	16.80	0	1.18	1.18
3.	2701-Major and Medium Irrigation 03-Medium Irrigation-Commercial 104-Lining of Channels 07-Other expenditure including interest	0	12.56	12.56	0	13.04	13.04	0	1.47	1.47
4.	2701-Major and Medium Irrigation 01-Major Irrigation-Commercial 101-Sirhind Canal System 10-Pensionary charges	0	5.21	5.21	0	5.30	5.30	0	6.32	6.32
	21-Public Works									
5.	2215-Water Supply and Sanitation 01-Water Supply 799-Suspense	0	86.07	86.07	0	81.01	81.01	0	80.33	80.33
6.	2059-Public Works 60-Other Buildings 053-Maintenance and Repairs 19-Electrical Circle	1.75	2.79	1.04	1.75	6.98	5.23	2.50	5.27	2.77

7.	3054-Roads and Bridges 80-General 799-Suspense	6.00	16.59	10.59	6.00	8.01	2.01	0.01	4.94	4.93
8.	2059-Public Works 80-General 799-Suspense	0.90	162.76	161.86	0	146.59	146.59	0	151.02	151.02
9.	2215-Water Supply and Sanitation 01-Water Supply 102-Rural Water Supply Programmes 01-Rural Water Supply 09-Prime Minister Gramin Udyog Yojna (Plan)	0	17.31	17.31	0	13.47	13.47	0	8.02	8.02
10.	2515-Other Rural Development Programme 799-Suspense	0	9.77	9.77	0.00	52.87	52.87	0	20.04	20.04
Revenue (Charged)										
	8 – Finance									
11.	2049-Interest payments 03-Interest on Small Savings, Provident Funds etc. 104-Interest on General Provident Funds 03-Interest on All India Service Provident Fund etc.	0	1.24	1.24	0	1.16	1.16	0	1.20	1.20
Capital (Voted)										
	21 – Public Works									
12.	5054-Capital Outlay on Roads and Bridges 03-State Highways 337-Road Works 02-Improvement/Widening of existing District Roads and State Highways (Plan)	0	18.22	18.22	0	22.32	22.32	0	2.41	2.41
	TOTAL	**8.65**	**372.72**	**364.07**	**7.75**	**390.95**	**383.2**	**2.51**	**283.84**	**281.33**

Appendix–XIII

(Refers to Paragraph 2.3.10, Page 28)

Cases of re-appropriation under which the expenditure finally showed excess over the balance provision

(Rupees in crore)

Sr. No.	Grant No.	Major head affecting the grant	Original	Supple-mentary	Re-appro-priation	Total grant	Expen-diture	Amount of excess after re-appropriation
1.	8	2071-Pensions and Other Retirement Benefits (1)01-Gratuities	164.24	-	62.08	226.32	249.93	23.61
2.	8	2071-Pensions and Other Retirement Benefits (2)01-Family Pensions	87.47	-	3.67	91.14	109.87	18.73
3.	8	2071-Pensions and Other Retirement Benefits (3)01-Leave Encashment	95.45	-	3.99	99.44	114.36	14.92
		Total	**347.16**		**69.74**	**416.90**	**474.16**	**57.26**

Appendix–XIV
(Refers to Paragraph 2.3.10, Page 28)

Significant cases of major re-appropriation which were injudicious on account of non-utilisation

(Rupees in crore)

Sr. No.	Grant No.	Major head affecting the grant	Original	Supple-mentary	Re-appro-priation	Total grant	Expen-diture	Amount of final Saving
1.	1	2415-Agricultural Research and Education (25)01–Technical improvement for Production and Market Development for Higher Value Crops (ACA) – (Plan)	-	-	3.00	3.00	-	3.00
2.		2401-Crop Husbandry (1)01-Direction	58.06	-	10.44	68.50	65.01	3.49
3.		2401-Crop Husbandry (5)20-Integrated Scheme of Oil, Seeds, Pulses, Oilpalm and Maize (SOPO)-(CSS)	-	-	1.05	1.05	0.02	1.03
4.		4810-Capital Outlay on Non-Conventional Sources of Energy (9)01-Scheme for the Creation of Bio-Gas Plants in the State (100%)-(CSS)	1.40	-	0.60	2.00	-	2.00
5.	2	2403-Animal Husbandry (3)13-Assistance to States for Control of Animal diseases-Creation of disease free zone – (CSS)	0.60	-	1.33	1.93	-	1.93
6.		2403-Animal Husbandry (6)03-Live Stock Census-(CSS)	0.50	-	1.14	1.64	-	1.64
7.		4403-Capital Outlay on Animal Husbandry (10)02-Live stock census (CSS)	0.14	-	0.86	1.00	-	1.00
8.	6	2075-Miscellaneous General Services (5)01-Elections under the Sikh Gurdwara Act.	4.63	-	0.34	4.97	3.44	1.53
9.	7	2040-Taxes on Sales, Trade, etc. (1)01-Direction and Administration	39.07	-	0.60	39.67	36.59	3.08
10.	8	7610-Loans to Government Servants etc. (2)03-House Building Advances to Government Servants	1.89	2.35	2.65	6.89	5.79	1.10
11.	9	3456-Civil Supplies (1)01- Direction	45.18	0.26	0.22	45.66	43.58	2.08

12.	10	2052-Secretariat - General Services (4)01-General Services – Secretariat	31.97	1.02	2.61	35.60	32.62	2.98
13.	12	2055-Police (3)01-District Police- (Proper)	641.10	-	1.51	642.61	636.65	5.96
14.	12	2055-Police (5)01-Police Training College	13.19	-	0.32	13.51	11.72	1.79
15.	12	2055-Police (8)01-Railway Police	21.49	-	0.42	21.91	20.89	1.02
16.	12	2056-Jails (15)02-District Jails	18.01	-	2.33	20.34	17.58	2.76
17.	12	2056-Jails (5)01-Central Jails	30.03	-	5.72	35.75	31.74	4.01
18.	25	2225-Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes (5)20-Attendance Scholarship to Scheduled castes Girls Students in Rural Areas (ACA) (Plan)	-	3.05	2.40	5.45	-	5.45
19.	25	2235-Social Security and Welfare (31)15-Awareness Programme for Gender Bias (ACA) (CSS)	-	0.01	0.99	1.00	-	1.00
20.		2235-Social Security and Welfare (32)14-Attendance Scholarship to Handicapped Girl Children (ACA) (CSS)	-	0.01	0.99	1.00	-	1.00
21.	28	2205-Art and Culture (1)06-Outlay recommended by 11th Finance Commission for Heritage Protection (Plan)	1.20	-	0.36	1.56	0.36	1.20
22.		2205-Art and Culture (2)04-Grant-in-aid to the Institutions engaged in promotion of Art and Culture (Plan)	1.00	6.39	0.99	8.38	7.00	1.38
23.		4202-Capital Outlay on Education, Sports, Art and Culture (2)06- Centenary, Heritage Infrastructure development and maintenance including preservation of Quila Mubark at Patiala (Plan)	-	2.97	0.03	3.00	-	3.00
		Total						**53.43**

Appendix-XV

(Refers to Paragraph 2.5, Page 29)

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	1.73	Secretary to Government of Punjab, Department of Animal Husbandry Chandigarh	(i)Total of the re-appropriation order in respect of 'From' and 'To' sides do not tally. (ii) Saving of salary used on other SOEs
2.	4-Defence Services Welfare	6.31	Principal Secretary to Government of Punjab Department of Defence Services Welfare Punjab, Chandigarh	(i) Re-appropriation order was not according to Revised Estimates (ii) Surrenders/withdrawals used without prior permission of Finance Department.
3.	5-Education	0.80	Secretary to Government of Punjab, Higher Education Punjab, Chandigarh.	Savings of salary used on other SOEs
4.	-Do-	1.14	-Do-	-Do-
5.	-Do-	8.22	Secretary to Government of Punjab Sports and Youth Services, Punjab, Chandigarh	Savings of Plan side used in Non Plan.
6.	-Do-	2.35	-Do-	-Do-
7.	-Do-	0.10	Principal Secretary to Government of Punjab, Department of Archieves and Culture, Punjab, Chandigarh.	(i) -Do- (ii) Savings of salary used on other SOEs.
8.	-Do-	116.01	Special Secretary to Government of Punjab, Education Department, Chandigarh.	(i) Classification is not according to Budget. (ii) Revenue and Capital surrenders or withdrawals not shown separately.
9.	11-Health and Family Welfare	0.03	Secretary to Government of Punjab, Health and Family Welfare Department Chandigarh	Re-appropriation order is not according to Revised Estimates.
10.	-Do-	72.47	-Do-	(i) Re-appropriation order is not according to Revised Estimates (ii) Re-appropriation order made to the new scheme
11.	-Do-	13.45	Secretary to Government of Punjab, Research and Medical Education Department, Chandigarh.	Surrenders/withdrawls used without prior permission of the Finance Department

12.	-Do-	8.38	Secretary to Government of Punjab , Health and Family welfare Department Chandigarh	(i) Re-appropriation order is not according to Revised Estimates (ii) Surrenders/withdrawls used without prior permission of the Finance Department
13.	-Do-	0.49	-Do-	-Do-
14.	15-Irrigation and Power	0.03	Secretary to Government of Punjab, Department of Power, Chandigarh.	(i)Re-appropriation order is not according to Revised Estimates (ii)Saving of salary used on other SOEs
15.	-Do-	130.13	Principal secretary to Government of Punjab, Department of Irrigation, Chandigarh.	-Do-
16.	19-Planning	302.79	Secretary to Government of Punjab Department of Planning, Chandigarh	(i)Re-appropriation order is not according to Revised Estimates (ii) Savings of Plan side used on Non Plan.
17.	22-Revenue and Rehabilitation	148.17	Financial Commissioner and Secretary to Government of Punjab. Revenue and Rehabilitation Department, Punjab, Chandigarh	(I)Re-appropriation order is not according to Revised Estimates (ii) Charged amount should not be re-appropriated to Voted side
18.	24-Science, Technology and Environment	32.41	Special Secretary to Government of Punjab, Department of Science Technology and Environment, Chandigarh	(i)Re-appropriation order issued after the closing of financial year (ii)Total of the reappropriation order in respect of 'From' and 'To' side do not tally
19.	29-Transport	51.07	Principal Secretary to Government of Punjab , Department of Civil Aviation, Punjab, Chandigarh.	(i)Re-appropriation order is not according to Revised Estimates (ii) Depots wise break up not shown separately.
	Total	**896.08**		

Appendix–XVI

(Refers to Paragraph 2.6, Page 30)

Statement showing flow of expenditure during the fourth quarter of 2004-05

(Rupees in lakh)

Sr. No.	Head of Account	Total expenditure	Expenditure during 4th quarter	Percentage of expenditure in 4th quarter	During March 2005	Percentage of expenditure in March 2005 to total expenditure of 2004-05
1.	2047-Other Fiscal Services	4372.82	2218.79	50.74	1413.53	32.33
2.	2058-Printing and Stationery	1875.31	1010.80	53.90	747.08	39.84
3.	2075-Misc. General Services	262360.02	168108.71	64.08	82553.46	31.47
4.	2801-Power	217247.99	217086.11	99.93	144970.04	66.73
5.	3425-Other Scientific Research	52.97	26.49	50.01	26.49	50.01
6.	4070-Capital Outlay on Administrative Services	654.37	629.46	96.19	179.17	27.38
7.	4210-Capital Outlay on Medical and Public Health	560.34	532.06	94.95	183.09	32.67
8.	4216-Capital Outlay on Housing	95.95	76.40	79.62	76.40	79.62
9.	4217-Capital Outlay on Urban Development	6918.87	4288.93	61.99	3059.29	44.22
10.	4402-Capital Outlay on Soil and Water Conservation	86.37	86.37	100.00	50.04	57.94
11.	4406-Capital Outlay on Forestry and Wild Life	2317.08	1294.38	55.86	604.66	26.10
12.	4853-Capital Outlay on Non Ferrous Mining and Metallurgical Industries	0.09	0.09	100.00	0.09	100.00
	TOTAL	496542.18	395358.59		233863.34	

Appendix - XVII
(Refers to Paragraph 2.7.2, Page 30)

Persistent savings in reviewed grants/appropriations

Sr. No.	Grant/Head of Account/ Name of Scheme	Total Grant/ Amount of Savings (*per cent*)		
	02-Animal Husbandry and Fisheries	**2002-03**	**2003-04**	**2004-05**
	Revenue Plan CSS	*(Rupees in lakh)*		
1.	2403-Animal Husbandry 101-Veterinary Services and Animal Health 15-Animal Disease Management and Regulatory Medicine Establishment of Regional Referral Disease Diagnose Laboratory (Voted)	204.00 *204.00* *(100)*	48.50 *20.64* *(42.56)*	27.50 *21.18* *(77.02)*
2	2405-Fisheries 101-Inland fisheries 10-Assistance to Fish Farmers Agencies in the State (Voted)	60.00 *50.00* *(83.33)*	60.00 *60.00* *(100)*	60.00 *60.00* *(100)*
	Revenue Plan State			
	03-Cooperation			
	Capital Plan CSS			
3.	4425-Capital Outlay on Cooperation 107-Investment in Credit Cooperation 02-Assistance Share Capital for Integrated Coop Development Including Preparation of Project Report (Voted)	1012.42 *1012.42* *(100)*	1140.54 *1140.54* *(100)*	1140.54 *1140.54* *(100)*
4	4425-Capital Outlay on Cooperation 190-Investment on Public Sector and other Undertaking 02-Share Capital Assistance/Rehabilitation Assistance to Primary Marketing Societies in Development States (Voted)	60.00 *60.00* *(100)*	42.00 *42.00* *(100)*	42.00 *42.00* *(100)*
5.	6425-Loan for Co-operation 107-Loans to Credit Co-operatives 09-Assistance to Share Capital and Loan for Integrated Co-operative Development Project (Voted)	327.92 *327.92* *(100)*	336.92 *336.92* *(100)*	336.92 *336.92* *(100)*
	24-Science, Technology and Environment			
	Revenue Plan CSS			
6	3425-Other Scientific Research 800-Other Expenditure 10-Setting up I.R.E.P. Cell at State and District level (Voted)	100.00 *100.00* *(100)*	220.00 *220.00* *(100)*	250.00 *250.00* *(100)*
	Capital Plan CSS			
7.	5425-Capital Outlay on Other Scientific and Environmental Research 208-Ecology and Environment 24-Installation of family Size Bio Gas Plant (80 *per cent* Beneficiary) 100 *per cent* Punjab Energy Development Agency	210.00 *210.00* *(100)*	210.00 *210.00* *(100)*	75.00 *75.00* *(100)*

	(Voted)			
8.	5425-Capital Outlay on Other Scientific and Environmental Research 208-Ecology and Environment 32-Kangli Wet land Project (Voted)	300.00 *300.00* *(100)*	36.05 *36.05* *(100)*	161.00 *124.95* *(77.61)*
9.	5425-Capital Outlay on Other Scientific and Environmental Research 208-Ecology and Environment 33-Ropar Wet land Project (Voted)	100.00 *100.00* *(100)*	46.85 *46.85* *(100)*	191.00 *144.15* *(75.39)*
	Capital Plan Share			
10.	5425-Capital Outlay on Other Scientific and Environmental Research 208-Ecology and Environment 11-Energy Recovery from Urban Municipal Industrial Waste (Voted)	110.00 *110.00* *(100)*	450.00 *450.00* *(100)*	1500.00 *1500.00* *(100)*
11.	5425-Capital Outlay on Other Scientific and Environmental Research 208-Ecology and Environment 21-Mini/Micro Hydel Project (Voted)	415.00 *415.00* *(100)*	200.00 *200.00* *(100)*	178.00 *178.00* *(100)*
12.	5425-Capital Outlay on Other Scientific and Environmental Research 208-Ecology and Environment 25-Integrated Rural Energy Programme Solar Water Pumping Programme (10 *per cent* Beneficiary) (Voted)	1150.00 *1150.00* *(100)*	1250.00 *1250.00* *(100)*	1225.00 *1225.00* *(100)*
13.	5425-Capital Outlay on Other Scientific and Environmental Research 208-Ecology and Environment 26-Promotion for MRSE including SPV Devices in Rural Area (35 *per cent* beneficiary) (Voted)	145.00 *145.00* *(100)*	50.00 *50.00* *(100)*	210.00 *210.00* *(100)*

Note:

- Italic figures represent savings
- Figures within brackets represent percentage of savings

Appendix - XVIII

(Refers to Paragraph 2.7.3, Page 30)

Savings due to non release of funds/grants

Sr. No.	Grant/Head of Account	Final saving (Rupees in lakh)	Contributing reasons as stated by Government/ Department
	24-Science, Technology and Environment		
	Revenue Plan Share		
1.	3425-Other Scientific Research 60-Others 200-Assistance to Other Scientific Bodies 14-Popularisation of Science (Voted)	6.50	Grant not released by the Government.
2.	27-Mass Awareness and Publicity (Voted)	84.00	Grant not released by the Government.
3.	800-Other Expenditure 03-Environment Impact Assessment Studies of Industries/ Focal Industrial Area (Voted)	5.00	Grant not released by the Government.
	Revenue Plan State		
4.	3425-Other Scientific Research 60-Others 200-Assistance to Other Scientific Bodies 07-Training/Retraining Including Seminar/Workshop (Voted)	3.00	Grant not released by the Government.
5.	08-Pilot Trials Extension through Approved Institution (Voted)	7.50	Grant not released by the Government.
6.	13-Programme for the Promotion of Bio-Technology in Punjab (Voted)	2.00	Grant not released by the Government.
7.	14-Popularisation of Science (Voted)	5.00	Grant not released by the Government.
8.	18-Popularisation of Science (Voted)	6.50	Funds not released by Finance Department.
9.	19-Solid Waste Management Through Vermical Bio-Technology (Voted)	2.00	Funds not released by Finance Department.
10.	27-Mass Awareness and Publicity (Voted)	5.00	Grant not released by the Government.
11.	29-Energy Conservation Industries 99-No detailed head (Voted)	4.00	Grant not released by the Government.
	Revenue Plan State		
12.	3435-Ecology and Environment 03-Environmental Research and Ecological Regeneration 800-Other Expenditure 05-Environment Impact Assessment Studies of the Industries/ Focal point Industrial Area. (Voted)	5.00	Grant not released by the Government.

13.	13-Joint Programme with UNESCO 99-No Detailed Head (Voted)	2.00	Grant not released by the Government.
14.	15-continuation of Mode of Capacity Enhancement Programme of Environmental Information Systems (ENVIS) (Voted)	6.00	Grant not released by the Finance Department.
15.	16-Status of Environment Reporting in Punjab (Voted)	4.00	Grant not released by the Government.
16.	17-Setting up of Centre for Bio-Technology Base Programme for Women and Rural Development (Voted)	2.00	Funds not released by the Planning Department.
17.	18-Self Employment Generation for un-employed youth through Technical Training (Voted)	1.00	Funds not released by the Planning Department.
	Capital Plan CSS		
18.	5425-Capital Outlay on other Scientific and Environmental Research 208-Ecology and Environment 24-Installation of Family Size Bio-Gas Plant (80 *per cent* Beneficiary) 100 *per cent* Punjab Energy Development Agency (Voted)	75.00	Grant not released by the Government.
	Capital Plan Share		
19.	5425-Capital Outlay on other Scientific and Environmental Research 208-Ecology and Environment 17-Bio Diversity of the Shivalik Eco-System of Punjab (Voted)	4.00	Funds not released by Finance Department.
20.	29-Power Generation from Agro Waste (Voted)	100.00	Grant not released by the Government.
21.	30-Energy Conservation in Agriculture, Cooking and lighting Sector (Voted)	45.00	Grant not released by the Government.
	Capital Plan State		
22.	5425-Capital Outlay on other Scientific and Environmental Research 208-Ecology and Environment 05-Setting up of Four Common Effluents Treatment Plant (Voted)	50.00	Grant not released by the Government.
23.	26-Promotion for MRSE Including SPV Devices in Rural Areas (35% Beneficiary) (Voted)	25.00	Grant not released by the Government.
24.	35-Conservation and Management of Wetland 99-No Detailed Head (Voted)	15.00	Grant not released by the Government.
25.	800-Other Expenditure 03-Solar Photovoltaic Demonstration Programme in Punjab (Voted)	20.00	Grant not released by the Government.

26.	24-Bio Diversity of the Shivalik Eco System in Punjab (Voted)	4.00	Grant not released by the Government.
27.	37-Energy Conservation in Agriculture Cooking and Lighting Sector (Voted)	15.00	Grant not released by the Finance Department.
	28-Tourism and Cultural Affairs		
	Revenue Non Plan State		
28.	2205-Art and Culture 800-Other Expenditure 01-Implementation of the Antiquitties and Art Treasurer Act 1972 (Voted)	0.44	Due to late receipt of sanction from Government of India.
	Revenue Plan State		
29.	2205-Art and Culture 107-Museums 03-Museum Publication (Voted)	3.05	Grant not released by the Government.
30.	04-Renovation Improvement and Display in Museums/Galleries (Voted)	5.60	Grant not released by the Government.
	Total	512.59	

Appendix-XIX

(Refers to Paragraph 2.7.3, Page 30)

Savings due to bills not passed by the treasury

Sr. No.	Grant/Head of Account	Final saving (Rupees in lakh)	Contributing reasons as stated by Government/ Department
	28-Tourism and Cultural Affairs		
	Revenue Non Plan State		
1.	2205-Art and Culture 102-Promotion of Arts and Culture 02-Strengthening of Cultural Affairs (Voted)	8.30	Bills were not passed by the treasury.
	Revenue Plan State		
2.	2205-Art and Culture 102-Promotion of Arts and Culture 05-Holding of Musical/Cultural Conferences/Seminars and Celebrations of Festivals, Melas and Sponsoring of Cultural Troups. (Voted)	2.93	Bills were not passed by the treasury.
	Capital Non Plan State		
3.	4202-Capital Outlay on Education, Sports, Arts/Culture 04-Art and Culture 102-Museums 02-Strengthening of Cultural Affairs (Voted)	2.76	Bills were not passed by the treasury.
	Total	13.99	

Appendix - XX

(Refers to Paragraph 2.7.3, Page 30)

Unnecessary/Excessive Supplementary Grants

Sr. No.	Grants/Head of Account	Total Supplementary Grant	Saving
		(Rupees in lakh)	
	28-Tourism and Cultural Affairs		
	Revenue Plan State		
1	2205-Arts and Culture 102-Promotion of Arts and Culture 04-Grants-in-Aid to the Institution Engaged in Promotion of Art and Culture (Voted)	638.90	138.00
	Capital Plan State		
2	4202-Capital Outlay on Education, Sports, Art and Culture 04-Art and Culture 106-Museums 06-Centenary, Heritage, Infrastructure Development Maintenance Including Preservation of Quila Mubarak at Patiala. (Voted)	297.00	300.00

Appendix-XXI
(Refers to Paragraph 3.3.3, Page 65)

STATEMENT SHOWING LIST OF DIVISIONS COVERED

Sr. No.	**NAME OF DIVISIONS**
	BUILDINGS AND ROADS DEPARTMENT
1.	Construction Division No.-I PWD (B&R), Amritsar.
2.	Electrical Division PWD (B&R), Chandigarh.
3.	Construction Division PWD (B&R), Faridkot.
4.	Construction Division PWD (B&R), Gurdaspur.
5.	Panchayati Raj Division PWD (B&R), Gurdaspur.
6.	Provincial Division PWD (B&R), Gurdaspur.
7.	Construction Division No.-I PWD (B&R), Hoshiarpur.
8.	Construction Division No.-2 PWD (B&R), Hoshiarpur.
9.	Central works Division PWD (B&R), Hoshiarpur.
10.	Provincial Division PWD (B&R), Hoshiarpur.
11.	Construction Division No.-I PWD (B&R), Ludhiana.
12.	Construction Division No.-2 PWD (B&R), Ludhiana.
13.	Construction Division No.-3 PWD (B&R), Ludhiana.
14.	Provincial Division PWD (B&R), Ludhiana.
15.	Construction Division PWD (B&R), Patiala.
16.	Provincial Division No.-1 PWD (B&R), Patiala.
17.	Provincial Division No.-2 PWD (B&R), Patiala.
18.	Construction Division PWD (B&R) Ropar
19.	Construction Division No.-1 PWD (B&R), Mohali (Ropar).
20.	Construction Division No.-2 PWD (B&R), Mohali (Ropar).
21.	Provincial Division PWD (B&R), Mohali (Ropar).
22.	Central Works Division PWD (B&R), Mohali (Ropar).
	IRRIGATION DEPARTMENT
23.	Jandiala UBDC Division, Amritsar.
24.	Amritsar Drainage Division, Amritsar.
25.	Mechanical Drainage Division, Amritsar.
26,.	Canal lining Division, Tarn Taran at Amritsar.
27.	Drainage Construction Division, Amritsar.
28.	Store Procurement Division, Chandigarh.
29	Irrigation Investigation Development Division, Mohali at Chandigarh.
30.	Eastern Canal Division, Ferozepur.
31.	Harike Canal Division, Ferozepur.
32	Canal Lining Division, Ferozepur.
33	Drainage Construction Division, Ferozepur.
34	Mechanical Drainage Division, Ferozepur.
35	Drainage Construction Division, Faridkot.
36	Gurdaspur UBDC Division, Gurdaspur.
37	Madhopur UBDC Division, Gurdaspur.
38	Gurdaspur Drainage Division, Gurdaspur.
39	Kandi Area Dam Maintenance Division, Hoshiarpur.

40.	Janauri Chohal Construction Division, Hoshiarpur.
41.	Intensive Investigation Division, Hoshiarpur.
42.	Kandi Water Shed Drainage Division, Hoshiarpur.
43.	Hoshiarpur Drainage Division, Hoshiarpur.
44	Shah Nahar Extention (Civil) Division, Hoshiarpur.
45.	Investigation Division (J), Hoshiarpur.
46.	Shah Nahar Extention (Mechanical) Division, Hoshiarpur.
47.	Jalandhar Drainage Division, Jalandhar.
48.	Ludhiana Drainage Division, Ludhiana.
49	Lohand Construction Division, Ropar.
50	Discharge Division (IB), Mohali (Ropar).
	WATER SUPPLY AND SANITARY DEPARTMENT
51	Water Supply and Sanitation (RWS)Division No.1, Amritsar.
52	Water Supply and Sanitation (GW) Division, Amritsar.
53	Water Supply and Sanitation(RWS) Division No.I, Ferozepur.
54	Water Supply and Sanitation(RWS) Division No.II, Ferozepur.
55	Water Supply & Sanitation (Mechanical) Division, Faridkot.
56.	Water Supply and Sanitation (RWS)Division, Faridkot.
57	Water Supply and Sanitation(RWS) Division, Gurdaspur.
58	Water Supply and Sanitation (Mechanical) Division, Hoshiarpur.
59.	Water Supply and Sanitation (RWS) Division, Jalandhar.
60.	Water Supply and Sanitation(GW) Division, Jalandhar.
61	Water Supply and Sanitation(RWS) Division No.I, Ludhiana.
62	Water Supply and Sanitation(RWS) Division No.II, Ludhiana.
63.	Water Supply and Sanitation(Mechanical) Division, Patiala.
64.	Water Supply and Sanitation (GW) Division, Patiala.

Appendix-XXII
(Refers to Paragraph 3.3.14, Page 70)

Irregular Transactions with Autonomous Bodies/Civil Departments

Sr. No.	Name of Division	Recoverable (Rs.in lakhs)		Period
	IRRIGATION DEPARTMENT	**Amount**	**From**	
1.	Executive Engineer, Mechanical Drainage Division, Amritsar	4.50	PSEB & D.C. Amritsar.	Prior to 1992-93
2.	Executive Engineer, Store Procurement Division, Chandigarh.	0.71	PSTC Chandigarh.	1971
3.	Executive Engineer, Drainage Construction Division, Ferozepur	0.69	D.C. Ferozepur	8/94
4.	Executive Engineer, Mechanical Drainage Division, Ferozepur	3.11	BDPO, Talwandi Sabho	6/01
5.	Executive Engineer, Madhopur UBDC Division, Gurdaspur	0.41	Forest Division Pathankot	Prior to 3/01
6.	Executive Engineer, Kandi Area Dam Maintenance Division, Hoshiarpur	1.01	Agricultural Engineer Tubewell Ludhiana and Construction Division Tubewell PSTC Ltd. Hoshiarpur.	90-91
		10.43 lakh		
	WATER SUPPLY & SANITATION DEPARTMENT			
7.	Executive Engineer, Water Supply and Sanitation (RWS) Division, Ferozepur	0.15	Sewerage Board Ferozepur	11/2000
8.	Executive Engineer, Water Supply and Sanitation Mechanical Division, Faridkot.	1.02	Sewerage Board Bhatinda, PSEB Bhatinda, D.C. Mansa	5/96 to 9/97
9.	Executive Engineer, Water Supply and Sanitation (RWS)Division, Faridkot	1.74	Marketing Board Ludhiana and Sewerage Board Ludhiana & Moga.	8/89 to 10/99
10.	Executive Engineer, Water Supply & Sanitation Mechanical Division, Hoshiarpur	5.37	Sewerage Board Patiala	Since 7/03
11.	Executive Engineer, Water Supply & Sanitation Mechanical Division, Patiala.	2.69	Sewerage Board Bathinda.	4/98 to 9/02
		10.97 lakh		

Name of Department	Amount (Rs.in lakhs)	No.of Divisions
Irrigation	10.43	6
Water Supply & Sanitation	10.97	5
	21.40 lakh	11

Appendix -XXIII
(Refers to Paragraph 3.3.15, Page 70)
Statement showing cases where claims were not preferred

Sr. No	Name of division	Amount (Rs. in lakh)	No. of Cases	Period
Buildings and Roads Department				
1.	Executive Engineer, Construction Division No. I PWD (B&R) Hoshiarpur	31.69	3	10/94 to 3/05
	Total	**31.69**	**3**	
Irrigation Department				
2.	Executive Engineer, Drainage Construction Division, Ferozepur	69.27	8	5/78 to 7/03
3.	Executive Engineer, Kandi Area Dam Maintenance Division, Hoshiarpur	1.55	8	8/81 to 3/94
4.	Executive Engineer, Janauri Chohal Construction Division Hoshiarpur	12.45	7	3/90 to 3/94
5.	Executive Engineer, Intensive Investigation Division, Hoshiarpur	10.53	9	11/87 to 2/97
6.	Executive Engineer, Kandi Water Shed Drainage Division, Hoshiarpur	0.14	2	2/92 to 2/97
7.	Executive Engineer, Shah Nehar Extension Division (Civil) Hoshiarpur	7.38	22	5/80 to 8/95
8.	Executive Engineer, Shah Nehar Extension (Mechanical) Division Hoshiarpur	30.87	20	4/79 to 5/01
9.	Executive Engineer, Ludhiana Drainage division Ludhiana	0.74	5	4/67 to 11/71
	Total	**132.93**	**81**	
Water Supply & Sanitation Department				
10.	Executive Engineer, Water Supply & Sanitation (RWS) Division, Ferozepur	7.60	23	3/97 to 1/05
11.	Executive Engineer, Water Supply & Sanitation (Mechanical) Division, Faridkot	5.27	3	9/01 to 6/04
12.	Executive Engineer, Water Supply & Sanitation (Mechanical) Division, Hoshiarpur	22.42	8	11/84 to 2/05
	Total	**35.29**	**34**	

Name of Department	**Amount (Rs. in lakh)**	**No. of Division**	**No of cases**
Buildings & Roads	31.69	1	3
Irrigation	132.93	8	81
Water Supply & Sanitation	35.29	3	34
Total	**199.91**	**12**	**118**

Say Rs 2 crore

Appendix -XXIV
(Refers to Paragraph 3.3.16, Page 70)
Statement showing cases where claims preferred late

Sr. No.	Name of division	Cost of material (Rs in lakh)	No. of cases	Period of late raising of claims
Buildings and Roads Department				
1.	Executive Engineer, Construction Division PWD (B&R), Faridkot	4.52	3	3 to 21 months
2.	Executive Engineer, Construction Division No. I PWD (B&R), Hoshiarpur	17.73	4	3 to 24 months
3.	Executive Engineer, Construction Division No. II PWD (B&R), Hoshiarpur	8.03	5	1 to 9 months
4.	Executive Engineer, Central Works Division PWD (B&R), Hoshiarpur	3.77	3	34 to 65 months
5.	Executive Engineer, Provincial Division PWD (B&R), Hoshiarpur	5.42	11	3 to 98 months
6.	Executive Engineer, Construction Division No. II PWD (B&R), Ludhiana	6.91	5	8 to 18 months
7.	Executive Engineer, Construction Division PWD (B&R) Division Patiala	4.32	6	1 to 6 months
	Total	**50.70**	**37**	
Irrigation Department				
8.	Executive Engineer, Gurdaspur Drainage Division, Gurdaspur	16.82	2	24 to 120 month
9.	Kandi Water Shed Drainage Division, Hoshiarpur	0.58	2	12 to 19 months
	Total	**17.40**	**4**	
Water Supply & Sanitation Department				
10.	Executive Engineer, Water Supply & Sanitation (RWS) Division, Gurdaspur	**130.96**	**21**	1 to 6 months
	Total	**130.96**	**21**	

Name of Department	**Amount (Rs.in lakh)**	**No. of Division**	**No of cases**
Buildings & Roads	50.70	7	37
Irrigation	17.40	2	4
Water Supply & Sanitation	130.96	1	21
Total	**199.06**	**10**	**62**

Say Rs 1.99 crore

Appendix -XXV
(Refers to Paragraph 3.3.17, Page 70)
Statement showing irregular transfer of cash

Sr. No.	Name of division	Amount (Rs. in lakh)	Period	Awaiting adjustment (Rs. in lakh)
Buildings and Roads Department				
1.	Executive Engineer, Construction Division PWD (B&R), Faridkot	14.49	7/99 to 3/03	14.49
2.	Executive Engineer, Construction Division PWD (B&R), Gurdaspur	47.92	3/03 to 7/04	27.41
3.	Executive Engineer, Panchayati Raj Division, (C&M) Gurdaspur	8.00	8/01	8.00
4.	Executive Engineer, Construction Division No. 1 PWD (B&R), Hoshiarpur	70.72	10/94 to 3/05	60.99
5.	Executive Engineer, Construction Division No. 2 PWD (B&R), Hoshiarpur	4.50	11/02	4.50
6.	Executive Engineer, Central Works Division PWD (B&R), Hoshiarpur	19.00	2/2000 to 5/2000	3.00
7.	Executive Engineer, Provincial Division PWD (B&R), Hoshiarpur	23.01	10/03 to 1/05	23.01
8.	Executive Engineer, Construction Division No. 2 PWD (B&R), Ludhiana	9.75	1/01 to 10/04	9.75
9.	Executive Engineer, Construction Division PWD (B&R), Patiala	18.01	2/04	--
10.	Executive Engineer, Construction Division No.-2 PWD (B&R), Mohali (Ropar)	78.85	9/87 to 3/03	21.50
11.	Executive Engineer, Provincial Division PWD (B&R) Mohali (Ropar)	21.50	6/01 to 3/03	6.52
	Total	**315.75**		**179.17**
Irrigation Department				
12.	Executive Engineer, Jandiala Division, UBDC, Amritsar	1196.23	5/01 to 1/05	17.00
13.	Executive Engineer, Drainage Construction Division, Amritsar	0.90	98-99 to 3/2000	0.90
14.	Executive Engineer, Harike Canal Division. CC, Ferozepur	96.75	8/99 to 11/03	96.75
15.	Executive Engineer, Drainage Construction Division, CC, Ferozepur	35.80	3/88 to 11/04	35.80
16.	Executive Engineer, Mechanical Drainage Division, CC, Ferozepur	117.32	4/99 to 9/04	117.32
17.	Executive Engineer, Gurdaspur UBDC Division, Gurdaspur	6.38	7/03 to 3/04	6.38
18.	Executive Engineer, Kandi Area Dam Maintenance Division, Hoshiarpur	36.66	4/90 to 3/05	36.66
19	Executive Engineer, Janauri Chohal Construction Division, Hoshiarpur	19.32	3/94 to 9/95	4.54
20.	Executive Engineer, Investigation intensive Division, Hoshiarpur	9.81	10/96 to 6/2001	9.81

21.	Executive Engineer, Kandi Water Shed Drainage Division, Hoshiarpur	25.98	7/91 to 11/03	5.42
22.	Executive Engineer, Shah Nehar Extension Division (Civil) Hoshiarpur	21.44	6/88 to 5/04	21.44
23.	Executive Engineer, Investigation Division (J) Hoshiarpur	6.65	5/95 to 5/04	5.45
24.	Executive Engineer, Shah Nehar Extension Mechanical Division, Hoshiarpur	1.09	8/79 to 9/01	1.09
25.	Executive Engineer, Jalandhar Drainage Division Jalandhar	17.08	3/2000 to 9/2000	17.08
26.	Executive Engineer, Ludhiana Drainage Division, Ludhiana	2.00	3/2000	2.00
	Total	**1593.41**		**377.64**
Water Supply & Sanitation Department				
27.	Executive Engineer, Water Supply & Sanitation (RWS) Division, Amritsar	65.48	12/2002 to 2/2005	65.48
28.	Executive Engineer, Water Supply & Sanitation (RWS) Division, Ferozepur	415.75	12/88 to 11/03	159.21
29.	Executive Engineer, Water Supply & Sanitation (Mechanical) Division, Faridkot	94.85	9/98 to 4/04	94.85
30.	Executive Engineer, Water Supply & Sanitation (RWS) Division, Faridkot	3.40	7/2000 to 3/2002	0.40
31.	Executive Engineer, Water Supply & Sanitation (RWS) Division, Gurdaspur	263.69	11/01 to 9/04	171.70
32.	Executive Engineer, Water Supply & Sanitation (RWS) Division No. I, Ludhiana	66.46	11/01 to 3/04	0.21
33.	Executive Engineer, Water Supply & Sanitation (RWS) Division No. 2, Ludhiana	6.03	1/02 to 8/03	6.03
34.	Executive Engineer, Water Supply & Sanitation (Mechanical) Division, Patiala	1770.69	1/89 to 3/05	191.93
35.	Executive Engineer, Water Supply & Sanitation (GW) Division, Patiala	209.74	6/01 to 8/03	87.90
	Total	**2896.09**		**777.71**

Name of Department	Amount (Rs. in lakh)	No. of Division	Awaiting adjustment (Rs. in lakh)
Buildings & Roads	315.75	11	179.17
Irrigation	1593.41	15	377.64
Water Supply & Sanitation	2896.09	9	777.71
Total	**4805.25**	**35**	**1334.52**

Say Rs. 48.05 crore

Appendix-XXVI
(Refers to Paragraph 4.8.1, page 88)
Statement showing paragraphs/reviews for which action taken notes were not received upto 30.6.2005

Sr. No.	Name of the Department	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	Total
1.	Agriculture	-	-	-	-	-	-	-	1	1
2.	Commercial Activities	-	1	-	-	1	-	-	-	2
3.	Education Department	-	-	-	-	1	-	2	1	4
4.	Financial assistance to local bodies	-	-	1	-	1	1	1	-	4
5.	General (Admn. Home, Transport & Justice)	-	-	-	-	-	-	-	4	4
6.	General paras	1	3	-	1	1	1	1	-	8
7.	Health and Family Welfare	-	-	-	-	1	3	-	3	7
8.	Public Works Department (B&R)	-	-	-	-	-	3	4	6	13
9.	Public Works Department (Public Health)	-	-	-	-		1		-	1
10.	Irrigation and Power	-	-		2	1	1	2	5	11
11.	Revenue Department	-	-	1	-	-	-	-	-	1
12.	Rural Development & Panchayats	-	-	-	-	-	-	1	1	2
13.	Social Welfare	-	-	-	-	-	-	-	2	2
14.	Science and Technology	-	-	-	-	1	-	-	-	1
15.	Tech. Education & Industrial Training	-	-	-	-	-	1		1	2
16.	Animal Husbandry	-	-	-	-	-	1	1	-	2
17.	Cooperative Department	-	-	-	-	1	-	1	-	2
18.	Sports and Youth Services	-	-	-	-	-	-	-	1	1
19.	Finance Department	-	-	-	-	-	1	-	-	1
20.	Housing and Urban Development	-	-	-	-	-	-	-	3	3
21.	Information and public relation	-	-	-	-	-	-	-	1	1
	Total	**1**	**4**	**2**	**3**	**8**	**13**	**13**	**29**	**73**

Reviews: 17 Paras: 56

Appendix-XXVII

(Refers to Paragraph 4.8.1, page 88)

List of paras of the Report of CAG of India for which action taken notes were not received upto 30.6.2005

(Audit Report Civil)

Sr. No.	Name of the Department	Year of Audit Report	Para No.	Total	Grand Total
1.	Agriculture	2002-03	3.1(Review)	1	1
2.	Commercial Activities	1996-97	7.1	1	
		1999-2000	7.1	1	2
3.	Education Department	1999-2000	3.1 (Review)	1	
		2001-02	3.4, 6.5	2	4
		2002-03	4.2.1	1	
4.	Financial Assistance to Local Bodies	1997-98	6.1	1	
		1999-2000	6.4	1	
		2000-2001	6.5	1	
		2001-02	6.1 (Review)	1	4
5.	General Administration (Home Transport, Justice Jail, Police)	1999-2000	3.7 (i) PT,		
		2002-03	3.5(Review),3.6(Review),4.1.5, 4.6.2	4	4
6.	General Paras	1995-96	3.19,3.20 (PT B)	1	
		1996-97	3.24,3.25,6.1	3	
		1998-99	3.24	1	
		1999-2000	3.21	1	
		2000-2001	3.15	1	
		2001-02	3.15	1	8
7.	Health & Family Welfare	1999-2000	3.8	1	
		2000-2001	3.3 (Review), 3.7, 3.8	3	7
		2002-03	3.2(Review), 4.4.3,4.5.1(PT),4.6.1	3	
8.	PWD (B&R)	1999-2000	4.1 PT		
		2000-2001	4.5, 4.6, 4.7	3	
		2001-02	4.1 (Review),4.2,4.3,5.1	4	13
		2002-03	4.1,4.1.2,4.3.3,4.5.1,4.5.3,4.5.4	6	
9.	PWD (Public Health)				
		2000-2001	4.1 (Review)	1	1

10.	Irrigation and Power	1998-99	4.13, 5.3	2	
		1999-2000	4.7	1	
		2000-2001	4.2 (Review)	1	
		2001-02	4.4, 4.5	2	11
		2002-03	3.3(Review),3.4(Review),4.3.1, 4.3.2, 4.4.1	5	
11.	Revenue Department	1997-98	3.6 (Review)	1	1
12.	Rural Development and Panchayats	2001-02	6.3	1	2
		2002-03	4.4.2	1	
13.	Social Welfare Department Scheduled cast & Back ward classes, Women and Child Development	2002-03	3.7(Review) 4.6.3	2	2
14.	Science Technology & Environment	1999-2000	6.2 (Review)	1	1
15.	Technical Education and Industrial Training	2000-2001	6.4	1	2
		2002-03	4.4.5	1	
16.	Animal Husbandry	2000-2001	3.1 (Review)	1	
		2001-02	3.2	1	2
17.	Cooperation Department	1999-2000	3.5	1	
		2001-02	3.3	1	2
18.	Sports and Youth Services	2002-03	4.4.4	1	1
19.	Finance Department	2000-2001	3.2 (Review)	1	1
20	Housing and Urban Development Department	2002-03	4.1.3, 4.3.4,4.5.2	3	3
21	Information and Public Relation	2002-03	4.1.4	1	1
	Grand Total				**73**

Appendix -XXVIII

Glossary of Abbreviations

AC	Abstract Contingent
ACA	Additional Central Assistance
ACFA	Assistant Controller of Finance and Accounts
ADC (D)	Additional Deputy Commissioner (Development)
ATNs	Action Taken Notes
BPEOs	Block Primary Education Officers
BOO	Build, Operate and Own Basis
BOT	Build, Operation and Transfer
BSNL	Bharat Sanchar Nigam Limited
CCA	Cultivable Command Area
CE	Chief Engineer
CGWB	Central Ground Water Board
COS	Controller of Stores
CSS	Centrally Sponsored Scheme
DC	Detailed Contingent
DCFA	Deputy Controller of Finance and Accounts
DCHG	District Commander Home Generals
DEOs	District Education Officers
DGP	Director General of Police
DGS&D	Director General of Supplies and Disposals
DHS	Director Health Services
DPP	Direct Payment Procedure
DRME	Director General of Research and Medical Education
DST	Director State Transport
DTP	District Town Planner
EFC	Eleventh Finance Commission
FCI	Food Corporation of India
FD	Finance Department
FRBMA	Fiscal Responsibility and Budget Management Act, 2003
GOI	Government of India
GPF	General Provident Fund
GPW	Government Polytechnic for Women
GSDP	Gross State Domestic Project
HFL	High Flood Level
HUDCO	Housing and Urban Development Corporation
IRQP	Improvement of Riding Quality Programme
ITCKT	Institute of Textile Chemistry and Knitting Technology
ITIs	Industrial Training Institutes
JMF	Job Mix Formula
M&R	Maintenance and Repair
MC	Municipal Council
MORT&H	Ministry of Rural Transport & Highways
MoU	Memorandum of Understanding
MTFRP	Medium Term Fiscal Reforms Programme
NHAI	National Highway Authority of India

NHA	National Highway Authority
NHs	National Highways
NIT	Notice Inviting Tender
NSL	National Surface Level
NTPDAA	New Town Planning and Development Authority for Anandgarh
OPD	Outdoor Patient Department
OW	Original Work
PAC	Public Accounts Committee
PAU	Punjab Agriculture University
PEDA	Punjab Energy Development Agency
PID	Punjab Irrigation Department
PIDB	Punjab Infrastructure Development Board
PIs	Polytechnic Institutions
PMGY	Pradhan Mantri Gramodaya Yojana
PNCP	Punjab New Capital Periphery
PRDB	Punjab Rural Development Board
PRTC	Pepsu Road Transport Corporation
PRTPD	Punjab Regional and Town Planning and Development
PSEB	Punjab State Electricity Board
PTA	Police Training Academy
PUDA	Punjab Urban Planning and Development Authority
QCC	Quality Control Consultant
RBI	Reserve Bank of India
RO	Regional Officer
RPAO	Regional Pay & Accounts Officer
RWS	Rural Water Supply
SLP	Special Leave Petition
T&D	Transmission and Distribution
TD	Telecom Department
TI	Tanning Institute
VRS	Voluntary Retirement Scheme
WMA	Ways and Means Advances