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	Recommendations
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.	*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).