

OVERVIEW

This Report includes two chapters containing observations on the Finance and the Appropriation Accounts of the Government of Punjab for the year 2006-07 and three others comprising six Performance Audits/Long paragraphs including Internal Control System and 22 paragraphs dealing with the results of performance audit of selected programmes and schemes as well as audit of the financial transactions of the Government.

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

Financial position of the State Government

The fiscal position of the State viewed in terms of the trends in fiscal parameters - revenue, fiscal and primary deficit/surplus - has shown noticeable improvement during the last two years especially in 2006-07. The emergence of revenue surplus along with a sharp decline in fiscal deficit and a steep increase in primary surplus during 2006-07 apparently indicates towards the robust fiscal health of the State. However, a further analysis reveals that significant improvement in the fiscal indicators during the current year was mainly on account of a sharp increase in non-tax revenue receipts of the State during the current year due to a credit entry of Rs 3,903 crore on account of waiver of specific term loan (Rs 3,772 crore) and debt waiver (Rs 131 crore) under DCRF during 2006-07. The State's own tax revenue, on the other hand has merely increased by Rs 28 crore (0.31 *per cent*) in 2006-07 over the previous year. Moreover, the tax revenue at Rs 9,017 crore in 2006-07 remained significantly lower than both the projections made by the TFC as well as the by the State Government in its FCP indicates an ample scope of additional resource mobilization by the State Government through tax efforts. The pattern of expenditure of the State also indicates that expenditure on salaries, pensions, interest payments and subsidies amounted to 71 *per cent* of total revenue expenditure leaving relatively less resources for effective delivery and expansion of social and economic services. The investments in statutory corporations, joint stock companies and co-operatives stood at Rs 3,762 crore during 2006-07 but the negligible return on these investments (less than one *per cent*) vis-à-vis the higher cost of the borrowed funds was putting directly or indirectly the strain on the fiscal budget of the State and therefore continued to be a cause of concern.

Working of Irrigation Department

Performance Audit of Irrigation Department disclosed cases of financial, planning and programme mismanagement. Nine projects approved in annual

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

Central Road Fund for Development of State Roads in Punjab

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

Cattle and Buffalo Development Programme

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

Nutrition Programmes under Integrated Child Development Services Scheme and other schemes

Government of India (GOI) launched (1975-76) ICDS with the objectives to (i) improve nutrition and health status of children, (ii) reduce the incidence of mortality, morbidity, mal-nutrition, (iii) enhance the capability of mothers to look after the health and nutritional needs of children, (iv) lay the foundation for proper psychological, physical and social development of the child and (v) achieve effective co-ordination for implementation of policy among various

departments to promote child development. To achieve the objective of improving nutrition and health status three schemes - Supplementary Nutrition Programme (SNP); Kishori Shakti Yojana (KSY) and Nutrition Programme for Adolescent Girls (NPAG) are being implemented.

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

Information Technology Audit of Integrated Treasury Information System of Punjab

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

Evaluation of Internal Control System in Jail Department

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

Findings of Transaction Audit

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

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

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

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

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

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