

OVERVIEW

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

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

Financial position of the State Government

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

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

Performance Audit of construction and maintenance of State Highways and District Roads by Public Works Department (B&R Branch) disclosed that budget estimates were un-realistic as unwarranted reductions were made in the revised budget estimates. The fund management was deficient as Rs 38.98 crore incurred on works without technical sanction, Rs 23.01 crore incurred in

excess of budget provisions, Rs 2.21 crore diverted and interest liability of Rs 1.18 crore was created. MORT&H/Public Works Department specifications/instructions were disregarded while according technical sanctions resulting in extra expenditure of Rs 1.19 crore. Contractors were favoured to the extent of Rs 0.78 crore as cash securities were either not deducted or released in advance without observing defect liability period. Non-observance of standardisation and adoption of excess quantity had the effect of avoidable extra expenditure of Rs 5.37 crore which was indicative of lack of cost control mechanism. Monitoring was not only ineffective but almost lacking.

Evaluation of Internal Control in Soil and Water Conservation Department

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

Findings of Transaction Audit

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

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

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

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

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