CHAPTER-III

Performance Reviews

This chapter presents seven Performance Reviews including review on working of the Agriculture Department of the Government of Punjab, an evaluation of the Internal Audit System, and a review of the regulatory role of the Government of Punjab in the implementation of the Drugs and Cosmetics Act. Review of the Accelerated Benefit Irrigation Programme and that Welfare of Handicapped have been made separately for the Reports of the Union Government, and the State focus only have been isolated for comment in this Report. An important inclusion in the clutch of reviews in this chapter is the review of the Sangat Darshan Programme, which highlights the implications of vitiating the structure of delegations as well as of the drawal procedures.

3.1. Working of Agriculture Department

AGRICULTURE DEPARTMENT

Highlights

Punjab is a major producer of wheat and paddy and 22.42 *per cent* of the population is dependent on agriculture. The income from agriculture sector had registered an increase of 85 *per cent* over the period 1993-2002 but the contribution towards State income from agriculture sector declined from 33.06 to 26.11 *per cent* during this period. Agriculture Department is responsible for administering various development schemes sponsored by the Central and State Governments. The implementation of schemes faltered mainly because funds released by State and Central Governments were not fully utilised. 'Macro Management Work Plan' introduced to overcome the problem of unspent balances under individual schemes and to help full utilisation of resources in agriculture sector remained ineffective. The 'Mission for second push in Punjab agriculture' as a measure for coping with the problem of saturation of traditional agricultural priorities also failed to achieve the objective of diversification of cropping pattern. Investments made in Companies/ Corporations proved unfruitful as no dividend was received.

- ***Macro Management Work Plan was formulated by integrating 27 Centrally Sponsored Schemes to help the State Government to overcome the problem of unspent balances under individual schemes. It, however, failed to overcome the problem of unspent balances due to delayed release of funds and non-passing of bills by Treasuries.***

  (Paragraph 3.1.7.)

- ***The programme "Mission for second push in Punjab agriculture" introduced in 2000-01 to facilitate a shift from wheat-paddy culture to value added crops also failed to achieve the objective of diversification of cropping pattern.***

  (Paragraph 3.1.15.)

- ***Rs 25.86 crore were lying unspent as on 31st March 2003 including Rs 1.07 crore of 11 schemes wholly funded by Government of India. Of Rs 12.34 crore released by State Government during 2002-03 for 10 schemes, only Rs 4.36 crore were utilised on seven schemes and no expenditure was incurred on three schemes.***

(Paragraphs 3.1.6. & 3.1.8.)

- ***Rs 2.86 crore on account of arrears of tax on sugarcane were recoverable from 16 sugar mills and Rs 165.31 crore were payable by the sugar mills to the farmers on account of purchase of sugarcane.***

(Paragraphs 3.1.29. & 3.1.31.)

- ***Loan of Rs 12 crore was released to PAIC without finalising terms and conditions for repayment.***

(Paragraph 3.1.16.)

- ***Rs 80.45 lakh deposited with Public Works Department during September 1994 to April 2002 for construction of Soil Testing Laboratories remained blocked due to their non-completion.***

(Paragraph 3.1.23.)

- ***Investment of Rs 79.61 crore made in five Statutory Corporations/ Companies during 1980-99 proved unfruitful as no dividend had been declared by them since their investment.***

(Paragraph 3.1.32.)

Introduction

3.1.1. Observations on the working of the Agriculture Department of the Government of Punjab included in this paragraph are based on the results of integrated audit of Agriculture Department. Integrated audit is distinguished from review of a scheme or programme by both methodology of audit and objectives sought to be achieved. While a scheme or programme is reviewed across the board, cutting across participating departments and key players for evaluating the outputs and outcome generated, an integrated audit seeks to confine itself to the scope of activities of a single department for estimating the quality of delivery of multiple goals assigned to it. By methodology, integrated audit of a department seeks to put together audit observations on the quality of departmental management manifested in terms of policy, personnel and developmental or administrative goals entrusted to it. By objectives, integrated audit seeks to put together in a matrix disparate conclusions relating to the different activities of the department in the context of a policy focus, thereby providing the department an opportunity to see its working in the light of these observations and be able to remedy the deficiencies noticed. Every year, one department is selected for integrated audit. So the criterion is neither the volume of expenditure nor the primacy of policy. The Agriculture Department of Government of Punjab selected for integrated audit for presentation in this Report is one such effort.

Punjab is a major producer of wheat and paddy and 22.42 *per cent* of the population is dependent on agriculture. With a geographical area of 50.36

lakh hectares, the net sown area averaged between 42.39 lakh hectares (84 *per cent*) and 42.64 lakh hectares (85 *per cent*) in Punjab during 1997-2003. The change in the agricultural profile of the State from the base level of 1970-71 has been substantial. While the total cultivable area, net area sown and irrigated area has increased marginally, the production of foodgrains and sugarcane increased manifold, the production of foodgrains has increased from 69.97 lakh tonnes to 248.67 lakh tonnes and of sugarcane from 5.27 lakh tonnes to 9.25 lakh tonnes in 1970-71 to 2001-02. However, the production of oil seeds has declined from 2.33 lakh tonnes to 0.84 lakh tonnes in 2001-02. The income from Agriculture sector had registered an increase of 85 *per cent* over the period 1993-2002 but the contribution of income from agriculture sector declined from 33.06 to 26.11 *per cent* during this period. The overall increase in production is attributable to better administration of agricultural inputs and intensive cultivation of agricultural land by farmers. Per hectare consumption of fertilizer has gone up from a mere 0.04 nutrient tonnes in 1970-71 to 0.18 nutrient tonnes in 2001-02.

The total production of cereal and non-cereal crops ranged between 283 lakh tonnes and 286 lakh tonnes during 1999-2002. Further, the proportion of cereal production to non-cereal production remained static at 88 and 12 *per cent* respectively.

The intensive cropping pattern has resulted in serious repercussions on the nutrient health of soil, water table, etc. Further, agriculture in Punjab is tending towards stagnation and to enable it to start a new growth path, new initiatives are required. Realising that the traditional wheat-paddy rotation was not sustainable in the long run, a new programme 'Mission for second Push in Punjab Agriculture' was introduced in 2000-01 to facilitate a shift towards value added crops including fruits and vegetables, floriculture, maize, summer moong and adoption of allied occupations of mushroom cultivation and bee-keeping.

Organisational set up

3.1.2. The Financial Commissioner (Development) and Secretary to Punjab Government, Agriculture Department (FCD) is the Administrative Secretary. The Director of Agriculture, Punjab, Chandigarh (Director) is Head of the Department and is assisted by eight[1] Joint Directors (JDs) at Headquarters, three[2] JDs in the field and 14[3] State level officers. There are 17[4] Chief Agricultural Officers (CAOs) in-charge of all the activities of the

1. Joint Directors, Extension (Ext), Plant Protection (P.P.), Inputs, Value added crops (C.C.), High Yielding Varieties Programme (HYVP), Innovations and Pulses (I&P), Biogas and Engineering.
2. Joint Directors, (i) Hydrology, (ii) Statistical and (iii) Census.
3. Deputy Directors (DDs) (i) Cotton Extension, (ii) Locust Control & Plant Protection (LC&PP), (iii) Pulses, (iv) Oilseeds, (v) Headquarter, (vi) Seeds (vii) Cotton (Muktsar) (viii) Agriculture Engineers Tubewells, (ix) Implements (x) Hydrogeologist-I (xi) Hydrogeologist-II (xii) Statician (xiii) Assistant Maize Development Officer, and (xiv) Field Manure Officer.
4. Amritsar, Bathinda, Fatehgarh Sahib, Ferozepur, Faridkot, Gurdaspur, Hoshiarpur, Jalandhar, Kapurthala, Ludhiana, Mansa, Moga, Muktsar, Nawanshahar, Patiala, Ropar and Sangrur.

department at district level and they are the nodal agencies to implement the programmes/schemes in their respective districts.

Audit coverage

3.1.3. For evaluating the working of Agriculture Department, the technique of integrated audit has been adopted. The Review of the Agriculture Department of Punjab has to be viewed in the context of surplus foodgrain production and that it is the granary of India.

Indicators

In conducting this integrated audit of Agriculture Department, Audit has adopted the following indicators :

- Quality and financial administration with reference to discharge of allocated priorities, efficiency of financial control system, optimal utilisation of resources, persistence of lapses in utilisation of funds.
- Quality of programme management in terms of utilisation of scheme funds, programme funds, implementation of sponsored schemes and delivery of goals.
- Quality of human resource management in terms of recruitment and deployment of staff.

The records for the period 2000-03 in the office of the Director, two[5] Deputy Directors and 31 offices of the department located at headquarters of six[6] districts were test checked during July 2002 to February 2003.

Financial management and control

3.1.4. Funds provided by State Government through annual budgetary allocations which include assistance from Government of India (GOI) for implementing Centrally Sponsored Schemes (CSSs) are released by the Director to the Drawing and Disbursing Officers (DDOs) for implementing schemes/programmes of the State and Central Governments.

During 2000-03, out of total budgetary allocation of Rs 81,412.77 crore, the allocation for Agriculture sector was Rs 1,097.24 crore (1.35 *per cent*). This indicates the low priority attached to the Agriculture Department despite the importance of agriculture in the State. The budget demanded/allocated and expenditure incurred during 2000-03 was as under:

[5] Deputy Director, (i) Pulses (Bathinda) and (ii) Oil Seeds (Ludhiana).
[6] Bathinda, Gurdaspur, Jalandhar, Ludhiana, Patiala and Sangrur.

(Rupees in crore)

Year	Nature (Non Plan / Plan)	Budget demanded by department	Budget/ Final allotment as per Appropriation Accounts	Expenditure as per Appropriation Accounts	Excess(+) Savings(-)	Percentage Excess(+)/ Savings(-)	Percentage of Non Plan expenditure to total expenditure
2000-2001	NP Plan Total	70.96 97.07 168.03	160.51 69.99 230.50	137.74 36.98 174.72	(-)22.77 (-)33.01 (-)55.78	(-) 14 (-) 47 (-) 24	78.83
2001-2002	NP Plan Total	533.63* 84.60 618.23	585.21 78.00 663.21	585.04 14.15 599.19	(-)0.17 (-)63.85 (-)64.02	-- (-) 82 (-) 10	97.64
2002-2003	NP Plan Total	77.00 56.40 133.40	151.63 51.90 203.53	147.23 31.93 179.16	(-) 4.40 (-) 19.97 (-) 24.37	(-) 3 (-) 38 (-) 12	82.18
Grand Total	**NP** **Plan** **Total**	**681.59** **238.07** **919.66**	**897.35** **199.89** **1097.24**	**870.01** **83.06** **953.07**	**(-) 27.34** **(-)116.83** **(-)144.17**	**(-) 3** **(-) 58** **(-) 13**	**91**

* *Including Rs 457 crore on account of loan to PAIC (recovered alongwith interest).*

From the above table, the following conclusions emerge :

- The budget allotted was in excess of demand by the department over the period 2000-03. This excess allotment could not be analysed in audit as details of all head of accounts being operated by Agriculture Department were not furnished by the Director.
- The total savings over the period 2000-03 averaged 13 *per cent* of the funds allotted.
- There was saving of Rs 27.34 crore under Non-Plan mainly due to excess provision of dearness allowance payable to the staff.

58 *per cent* funds released for implementation of Plan schemes remained unutilised

- The savings on the Plan side comprised 58 *per cent* of total plan allocation indicating the low importance given to implementation of various schemes. This combined with the low priority attached to the Agriculture Department as a whole led to continued dependence of farmers on wheat and paddy only.

Programme/scheme management

Targets for wheat and paddy remained almost stagnant and targets of other crops decreased during 1998-2003

3.1.5. The Budget Estimates Committee of the Punjab Vidhan Sabha (Committee) in its report had recommended (March 1995) that the department should encourage the farmers to diversify from cultivation of wheat-paddy to commercial crops such as sunflower, pulses, oilseeds, etc. It was, however, noticed that during 1998-2003, the targets for wheat and paddy crops remained almost stagnant and the targets of other crops declined from 11.29 lakh hectares to 8.97 lakh hectares as per details in ***Appendix XXI.***

Area sown under wheat and paddy increased but declined under other crops during 1998-2003

The actual area cultivated under wheat and paddy crops increased from 58.57 lakh hectares to 59.34 lakh hectares whereas area cultivated for other crops declined from 7.93 lakh hectares to 6.19 lakh hectares during 1998-2003 which showed that diversification of cropping pattern had not taken place.

Non-utilisation of funds of Centrally sponsored schemes

3.1.6. The Agriculture Department runs various schemes which include Centrally sponsored schemes funded by GOI. Position of release of funds by GOI and expenditure during 2000-03 as per information supplied by the department was as under:

(Rupees in crore)

Year	**OB [7] as per statement furnished by Deptt.**		**Funds released by GOI**		**Expenditure**		**Unspent amount**	
	No. of schemes	**Amount**	**No. of schemes**	**Amount**	**No. of schemes**	**Amount**	**No. of schemes**	**Amount**
2000-01	28	16.92	19	5.69	7	2.92	28	19.69
2001-02	23	19.04	13[8]	7.37	7	2.69	23	23.72
2002-03	17	24.41	4	5.92	5	4.47	17	25.86

No consolidated record of all the CSSs undertaken maintained by the department

The above data supplied to Audit included only those schemes in respect of which either funds were allocated/received or expenditure was incurred during the year. No consolidated records showing details of total number of CSSs sanctioned, funds received from GOI, expenditure incurred and unspent balances lying with State Government, was maintained.

Rs 25.86 crore of 17 schemes lying unspent with the Government

The unspent balance increased from Rs 19.69 crore as on 31st March 2001 to Rs 25.86 crore (including Rs 1.07 crore of 11 CSSs wholly funded by GOI) as on 31st March 2003 due to non-release/ delay in release of funds by State Government and non-clearance of bills by the TOs. This indicated the less importance given by the State Government for the implementation of CSSs.

Implementation of Centrally sponsored schemes (CSSs)

Macro Management Work Plan (MMWP)

3.1.7. The Agriculture Department was implementing a large number of Centrally sponsored schemes both partly and fully funded by GOI. In October 2000, GOI decided that 27 CSSs ***(Appendix XXII)*** be integrated under Macro Management Work Plan (MMWP) for according greater flexibility to the State Government to overcome the problem of unspent balances under individual schemes and to help full utilisation of resources in agriculture sector. The sharing pattern was 90:10 between Centre and State Governments. Year-wise budget provision, assistance received and utilised was as under:

(Rupees in crore)

Year	**Share**	**Budget**	**Funds released by GOI**	**Funds released by State Government**	**Expenditure**	**Unspent GOI share lying with the State Government**
2000-01	GOI State	17.15 3.99	3.43 ---	--- ---	--- ---	03.43 ---
2001-02	GOI State	21.25 02.06	15.61 ---	10.01 01.11	02.00 00.22	13.61 ---
2002-03	GOI State	18.56 02.06	19.19 ---	11.11 01.23	03.92 00.44	15.27 ---
Total	GOI State	56.96 8.11	38.23 --	21.12 2.34	5.92 0.66	32.31 --
G. Total		**65.07**	**38.23**	**23.46**	**6.58** **(28 *per cent*)**	**32.31**

The Director intimated (October 2002) that MMWP could not be implemented during 2000-01 due to late receipt of funds (February 2001) from GOI.

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7 Opening Balance

8 Decline in number of CSSs due to integration of some schemes under Macro Management Work Plan (MMWP).

Funds released by Government of India not fully utilised

3.1.8. During 2000-03, against budget allocation of Rs 65.07 crore and release of Rs 38.23 crore by GOI, the State Government released Rs 23.46 crore (Central share Rs 21.12 crore and State share Rs 2.34 crore). GOI funds amounting to Rs 17.11 crore (out of Rs 38.23 crore) were not released by the State Government. Of Rs 23.46 crore released by the State Government, Rs 6.58 crore were spent and Rs 16.88 crore remained unspent. It was further noticed that against Rs 12.34 crore released (November 2002) for 10 sub schemes in 2002-03, Rs 4.36 crore only were spent during last quarter of 2003 on seven sub schemes and the balance amount remained unutilised.

Non-utilisation of funds was attributed to release of funds at the fag end of the year and non-passing of bills by TOs.

Reclamation of alkaline soils

Physical as well as financial targets for reclamation of alkaline soil not achieved

3.1.9. With a view to reclaim the land rendered unfit for cultivation due to alkalinity, a Centrally sponsored scheme 'Reclamation of alkaline soils' was in operation on sharing basis since 1985-86, in Punjab. The scheme envisaged distribution of gypsum and dhaincha[9] seeds at subsidised rates to farmers. The job of distribution of gypsum was entrusted to Punjab Land Development and Reclamation Corporation (PLDRC). During 2002-03, against the target of 17,026 hectares of area to be reclaimed, 841 hectares (five *per cent*) only was reclaimed and against the allocation of Rs 2.54 crore, Rs 12 lakh were only spent by the department. Shortfall in achievement/expenditure was attributed (May/June 2003) to late release of funds and non-passing of bills by TOs.

National Pulses Development Project (NPDP) and Oil Seed Production Programme (OPP)

3.1.10. Under 'National Pulses Development Project' for achieving production targets of pulses, distribution of seed was to be managed by the State Government. NPDP was implemented by Deputy Director (Pulses), Bathinda and OPP by Deputy Director (Oil Seeds), Ludhiana. The production targets were to be achieved through implementation of various components of the NPDP and OPP.

Targets under NPDP not achieved

Against production target of 4.87 lakh tonnes of pulses fixed by GOI during 1998-2003, the achievement was 2.539 lakh tonnes. The shortfall ranged between 28 and 66 *per cent* and the department attributed it to delayed/non-receipt of sanctions from State Government, non-clearance of bills by the TOs, non-production of foundation seed by Punjab Agricultural University, Ludhiana and non-availability of certified seed.

On examining the reasons for shortfall, it was revealed that against allocation of Rs 73.05 lakh (salary and programme components) during 2000-03, expenditure of Rs 35.93 lakh was incurred on salary and Rs 5.58 lakh on some programme components. However, no expenditure was incurred on important components like distribution/production of certified seed (1834 qtls./3180 qtls.), plant protection equipment (200 nos.), breeder seed (68 qtls.) and seed

9 Green manure.

village scheme (3540 qtls.). Thus, due to failure to implement all the components of the programme, requisite benefits did not accrue to the farmers.

Against the target of 15.19 lakh tonnes of oil seeds, actual production was 5.73 lakh tonnes during 1998-2003

3.1.11. Against the target of production of 15.19 lakh tonnes of oil seeds during 1998-2003, the production was 5.73 lakh tonnes resulting in shortfall of 9.46 lakh tonnes which was due to distribution of less quantity of certified seed (99.95 *per cent*)[*] and seed minikits (47.20 *per cent*)[**] and non-release of funds by the State Government.

Integrated Cereal Development Project (Wheat)

Targets for distribution of certified seeds and chemicals not achieved

3.1.12. The Centrally sponsored scheme 'Integrated Cereal Development Project (Wheat)' for the sale/distribution of certified wheat and rice seeds in Punjab, was in operation since 1994-95. The scheme attracted subsidy of Rs 200 per qtl. to farmers and 25 *per cent* subsidy on chemicals for seed treatment. The payments were to be made by the Director on receipt of duplicate bills through concerned CAO alongwith necessary certificate and lists of beneficiaries in the prescribed proforma. Against allocation of Rs 12.86 crore during 2000-03, the Director made payments aggregating Rs 6.96 crore to Punjab State Seeds Corporation Ltd. (PUNSEED) towards distribution of wheat seed without obtaining details of beneficiaries and certificates from CAOs. In the absence of the same, it could not be ascertained as to how the department satisfied itself that the subsidy had been given to genuine farmers. On inquiry (August 2002), Director did not furnish any reply.

3.1.13. Against target of distribution of 1.31 lakh quintals of certified wheat seeds, 0.20 lakh quintals of certified paddy seeds and 0.46 lakh litres of chemicals during 2002-03, 0.91 lakh quintals of certified wheat seed only was distributed. Non-distribution of remaining targeted quantities of seeds and chemical was attributed (July 2003) by the Director to delayed receipt of sanction in November 2002 for release of funds when full paddy sowing season and half of the wheat sowing season was over. Thus, due to delay in release of funds, benefits of the scheme did not reach the farmers.

7888.30 qtls. of certified seed involving a subsidy of Rs 15.78 lakh distributed to non-existing farmers/beneficiaries

3.1.14. The certified seeds distributed during 1998-99 by PUNSEED in the State was randomly cross-checked by the Directorate in six[10] districts and found that in five districts 7,888.30 qtls. of seed involving a subsidy of Rs 15.78 lakh was distributed to non-existing farmers/beneficiaries. Results of verification of the distribution of 55,220.4 qtls. of seed involving subsidy of Rs 1.10 crore distributed in the remaining 11 districts were not furnished.

		Target	Achievement	Shortfall	Percentage
*	i) Certified seed distribution (in Qtls)	11875	6.51	11868.49	99.95
**	ii) Distribution of Seed minikits (in Nos.)	40425	21343	19082	47.20

[10] Ferozepur, Jalandhar, Kapurthala, Ludhiana, Muktsar and Sangrur.

State sponsored schemes

Mission for second push in Punjab Agriculture

3.1.15. As Punjab is approaching stagnation level in agriculture production and further growth appeared limited, a new programme 'Mission for second push in Punjab Agriculture' (Mission) involving eight sub-programmes was introduced from 2000-01. The Mission aimed at facilitating a shift from wheat-paddy culture to value added crops including fruits, vegetables, floriculture, maize, summer moong, etc. and creation of a sound marketing net-work at home and abroad. The position of allocation of funds and expenditure during 2000-03 was as under:

(Rupees in crore)

Sr. No.	Year	Allocation		Expenditure	
		No. of schemes	Amount	No. of Sub-programes	Amount
1.	2000-01	7	18.83	6	16.98
2.	2001-02	8	24.08	1	0.05
3.	2002-03	7	28.37	6	27.00
Total			**71.28**		**44.03**

Out of total expenditure of Rs 44.03 crore incurred during 2000-03, Rs 39 crore were given as loan to Punjab Agri Export Corporation Ltd. (PAGREXCO) (Rs 10 crore) and Punjab Agro Industries Corporation (PAIC) (Rs 29 crore) for implementing various schemes.

Irregular payment of loan to PAIC

Rs 12 crore released to PAIC as loan without finalising terms and conditions for repayment

3.1.16. Rs 12 crore were provided as assistance in the form of loan to PAIC during 2000-01 (Rs 6 crore) and 2002-03 (Rs 6 crore) for setting up of agriculture/horticulture processing units and setting up a Mushroom Farm with centralised facilities of composting, canning and export of mushroom produce without finalising any terms and conditions for repayment of loan. PAIC had utilised (April 2002) Rs 4.20 crore towards contributing equity for four projects. Details of utilisation of remaining funds was not made available to audit by Director/PAIC. Evaluation of the project implemented through these funds was also awaited (May 2003). PAIC had not made any repayment of loan/interest.

Blockade of funds

Utilisation of Rs 1.15 crore released to PAIC awaited

3.1.17. To promote bee-keeping in the State through tie-up arrangement with Dabur India Ltd., Rs 50 lakh were disbursed (March 2001) to PAIC for 'Creation of marketing infrastructure for Bee-keeping' under the Mission. Another sum of Rs 65 lakh was disbursed in December 2002. Neither any records nor any information regarding targets/ achievements in respect of the scheme and utilisation of the amount by PAIC was furnished.

Instead of releasing funds to PAU, Rs 3 crore released to PAIC

3.1.18. Under the Mission, Rs 5 crore were to be provided during 2000-03 to Punjab Agricultural University, Ludhiana (PAU) to undertake genetic development of seed for maize and soyabeen crops as their popularisation would require reliable high yielding varieties of seed for intended diversification from wheat and paddy crops. While no amount was released to PAU due to non-sanction of scheme, Rs 3 crore were released to

PAIC in December 2002. However, actual utilisation of the funds released to PAIC was awaited.

Utilisation of Rs 2 crore released to PAGREXCO awaited

3.1.19. Against Rs 4 crore to be provided during 2001-03 for assistance to PAGREXCO for subsidising the packaging, refrigerated storage at production and consumer ends, inland haulage through reefer trucks, air freight components, etc. so as to encourage/facilitate marketing of vegetable crops in the distant domestic/overseas markets, Rs 2 crore were released (December 2002). However, actual utilisation of the same was awaited.

Partial implementation of scheme of summer moong

3.1.20. State Government sanctioned (September 2001) Rs 35 lakh (including subsidy of Rs 5 lakh) for purchase of summer moong seed (1,000 qtls.) to be supplied to farmers for sowing in a targeted area of 25,000 hectares. The department could arrange only 106.32 qtls. of seed worth Rs 5.32 lakh from PUNSEED but no payment was made due to non-entertaining of bills by the TO. Thus, the entire amount of Rs 35 lakh remained unutilised and scheme remained largely unimplemented resulting in denial of intended benefits to the farmers due to non-supply of seed. Details of actual area sown and yield achieved with 106.32 qtls. of seed was also not made available.

Due to ineffective monitoring of the schemes after release of funds and failure to watch their utilisation, the objectives of the 'Mission for second push in Punjab agriculture' remained unassessed.

Working of Pesticides/Insecticides and Soil Testing Laboratories

3.1.21. To maintain the quality of pesticides and insecticides, a check is enforced by analysing their samples from any of the three Insecticide Testing Laboratories (ITLs) located at Amritsar, Bathinda and Ludhiana.

In six[11] test checked CAOs, out of 8,158 samples of pesticides and insecticides collected during 1998-2003, 293 samples failed in the tests conducted at the laboratories. On the request of the sellers of these pesticides/insecticides, 290 samples were got retested at Central ITL, Faridabad; 173 samples were declared pass but 96 samples again failed and final results of 21 samples pertaining to the year 2002-03 were awaited (March 2003). It was noticed that out of 96 failed cases, in six cases (Jalandhar: three and Sangrur: three), the department had not initiated any legal action against the agencies (March 2003).

Shortfall in conducting tests by STLs during 1998-2002 was 39 *per cent*

3.1.22. Test check of 15 Soil Testing Laboratories (STLs) revealed that against the target of 5.45 lakh tests required to be conducted during 1998-2002, 3.31 lakh tests were conducted resulting in shortfall of 2.14 lakh tests (39 *per cent*). The shortfall was attributed mainly to insufficient funds, shortage of staff and non-passing of bills by TOs, etc. Thus, full benefits of setting up of STLs did not reach the farmers.

[11] Bathinda, Gurdaspur, Jalandhar, Ludhiana, Patiala and Sangrur.

Rs 80.45 lakh deposited with Public Works Department for construction of STLs remained blocked

3.1.23. For providing soil testing facilities to the farmers to enable balanced use of fertilizers, the department deposited Rs 80.45 lakh with Public Works Department during September 1994 to April 2002 for construction of Soil Testing Laboratories (STLs) as per details in ***Appendix XXIII***. After incurring an expenditure of Rs 47.71 lakh, the works were stopped. All the five STLs were still incomplete as of July 2003 resulting in blockade of Rs 80.45 lakh and depriving farmers of soil testing facilities.

3.1.24. For setting up of STL, Kahnuwan (Gurdaspur), an expenditure of Rs 20 lakh was incurred during 1997-2000 on purchase of land, machinery and construction of building. The partially completed building was handed over to the department in August 1999 but the STL was not made functional as of July 2003 due to non-availability of funds and non-posting of staff rendering the investment of Rs 20 lakh unfruitful and intended benefits of the laboratory remained denied to the farmers. CAO, Gurdaspur stated (July 2003) that building was still incomplete and laboratory was non-functional but the building was being used as office of Block Agriculture Officer. The reply indicated the low priority attached to setting up of a laboratory by the State.

Unauthorised occupation of Government land

3.1.25. Land measuring 25 Acres (approx.) of Sohian Seed Farm, Ludhiana, was forcibly occupied (February 1982) by some occupant. The case of unauthorised possession was decided (January 1991) in favour of the department by the court but the department failed to take possession of the land (February 2003) even after a lapse of more than 12 years due to departmental delays.

Land valued at Rs 0.64 crore was under unauthorised possession

3.1.26. Test check of records of CAO, Jalandhar revealed (February 2003) that land measuring one kanal 12 marlas valued at Rs 0.64 crore was under unauthorised possession since 1992. While the court decided the case in favour of the department in September 1996 and November 1999, eviction petition was filed as late as in June 2003 which was yet to be decided. Thus, land valuing Rs 0.64 crore was still under unauthorised possession.

Irregular utilisation of receipts

3.1.27. Under the Punjab Financial Rules, utilisation of departmental receipts towards expenditure is strictly prohibited and all Government receipts should be deposited into the treasury.

Three CAOs (Patiala, Bathinda and Ludhiana) collected receipts aggregating Rs 52.18 lakh (excluding OB of Rs 27.20 lakh) from four units[12] during April 1997 to October 2002 and kept the same in bank accounts. Rs 45.38 lakh out of these receipts were spent during April 1997 to August 2002 on operation of these units. In CAO, Bathinda, unutilised balances ranging between Rs 7.76 lakh and Rs 37.60 lakh were kept outside Government account in a bank

[12] Patiala, Seed Farm Terrain (CAO Patiala) Bathinda, Seed Farm Talwandi Sabo & Shekhpura (CAO Bathinda), Bio-Fertilizer Production Plant Ludhiana (CAO, Ludhiana).

during April 1997 to March 2003 resulting in interest loss of Rs 6.31[13] lakh calculated at the borrowing rates of State Government.

Less expenditure on development of sugarcane despite collection of tax thereon

3.1.28. The Punjab Sugarcane (Regulation of Purchase and Supply) Act, 1953 (Act) and Rules (1958) made thereunder provide that before 15th day of each month, the occupier or agent of a factory shall deposit the sugarcane tax due on sugarcane purchased during the previous month. Further, as per recommendations of the Budget Estimate Committee (Committee), the amount was to be utilised for the development of sugarcane.

Against the tax collection of Rs 6.75 crore during 2000-03, the department spent only Rs 53 lakh (eight *per cent*) on the development of sugarcane. The expenditure on development of sugarcane was thus not commensurate with tax realised in view of the recommendations of the Committee.

Rs 165.31 crore payable to cultivators by the sugar mills

3.1.29. The Committee also recommended that with a view to encourage cultivation of sugarcane, the department will ensure timely payments to cultivators by sugar-mills towards purchase of their sugarcane. It was, however, noticed that Rs 165.31 crore pertaining to the period 2001-02 (Rs 0.03 crore) and 2002-03 (Rs 165.28 crore) were still (August 2003) payable by sugar mills to sugarcane cultivators. This showed that timely payments were not being made by sugar mills to the cultivators.

3.1.30. Against the crushing capacity of 2,786.40 lakh quintals of sugarcane in 22 sugar-mills in Punjab, the actual crushing was only 1,740.83 lakh quintals during 2000-03. Thus, 38 *per cent* capacity of sugar mills remained under-utilised where Government had made 70 *per cent* investments in the share capital[14] of 15 sugar mills. Further, 14 sugar mills were running in losses and total loss during 2000-02 was Rs 139.88 crore.

Recovery of Rs 2.86 crore representing arrears of tax on sugarcane awaited from 16 sugar mills

3.1.31. It was also observed that Rs 2.86 crore representing the arrears of tax on sugarcane due from 16 sugar mills in the State for the period 1993-94 to 2002-03 were awaiting recovery besides penal action against the defaulters under the Act.

Unfruitful investments

Investments made in five Statutory Corporations/ Companies proved unfruitful as no dividend declared

3.1.32. To make Corporations and Administrative Department accountable, Government of Punjab, Department of Finance laid down (March 1993) a return of four *per cent* on investments made in the Undertaking/ Corporation failing which it could be wound up.

As seen from the Finance Accounts of Government of Punjab for the year ending March 2003, the investment in the shape of equity shares (preference/ordinary) made by the Government (Agriculture Department) in

13 Loss = Interest loss at Government rate of borrowings (Rs 10.43 lakh) less interest earned (Rs 4.12 lakh).

14 Total share capital in 2001-02 : Rs 11.10 crore
By Government : Rs 7.80 crore.

five Statutory Corporations[15] from 1980-81 to 1998-99 was Rs 79.61 crore. The accumulated profit of two out of five Corporations upto 1994-99 was Rs 71.57 crore. However, in two cases, the accumulated losses were Rs 52.71 crore upto 2001-02 and their accounts thereafter were in arrears (June 2003). In one case, accounts had not been finalised since 1997-98. None of these five Companies/Corporations had declared (June 2003) dividend since the date of investment by Government and, thus, investments made therein proved unfruitful.

Human Resource Management

3.1.33. The Budget Estimates Committee of Punjab Vidhan Sabha after examination of budget estimates of Agriculture Department for 1994-95 had observed that after stoppage of subsidy on fertilizers and pesticides, the department was doing extension service only and recommended (March 1995) *inter alia* the evaluation of staff requirement, reduction of posts of higher officers at headquarters, abolition of posts of Joint Director (Engineering) and Project Officer (Reclamation), etc. Despite these recommendations, no evaluation of staff requirement was carried out. Further, the posts of Joint Director (Engineering) and Project Officer (Reclamation) were continuing (August 2003).

3.1.34. Total sanctioned staff (cadre wise) in position and vacancies thereagainst was not furnished by the Government/Director. In the absence of same, the overall excess/shortage of any category of staff could not be ascertained.

As per data compiled by Accountant General (A&E) Punjab from salary bills of March 1999, there were 4,970 employees (Group A: 541, B: 627, C: 1,822 and D: 1,980) in Agriculture Department and 67 posts of Agriculture Development Officers (ADOs) were surplus as mentioned in para 3.1.35.

Audit scrutiny disclosed that in 29 DDOs in six test checked districts, against 1,850 sanctioned posts, 1,451 employees were in position (78 *per cent*) and 399 posts were vacant. The period since when these posts were lying vacant was not made available.

Irregular recruitment of Agriculture Development Officers

3.1.35. State Government directed (July 1999) all Heads of the Departments that no recruitment should be made by them against existing vacant posts in the offices and Undertakings without seeking 'No Objection Certificate' (NOC) from Re-deployment Cell. Any violation of these instructions attracted disciplinary action.

[15] 1. Punjab Land Development and Reclamation Corporation Ltd (Profit Rs 0.65 crore upto 1994-95).
2. Punjab State Warehousing Corporation (Profit: 70.92 crore upto 1998-99).
3. Punjab State Seeds Corporation Ltd (Loss Rs 30.93 crore upto 2001-02).
4. Punjab Agro Industries and Horticulture Development Corporation Ltd. (Loss: Rs 21.78 crore upto 2001-02).
5. Punjab Container and Warehousing Corporation Ltd.

Consequent upon the merger of grading staff of Director (Marketing) in the Punjab State Agricultural Marketing Board (Board), 297 posts of grading assistants and one mechanic working under the scheme 'Grading of food grains and oil seeds' were transferred to the Board.

Expenditure of Rs 2.37 crore incurred on salary of 67 surplus ADOs

It was, however, noticed that recruitment of 146 ADOs was made during 2000-01 without getting NOC from Redeployment Cell although 67 ADOs out of 111 rendered surplus due to merger of grading staff with the Board were also working in the department during 1999-2000. The expenditure on account of pay and allowances of 67 ADOs at minimum of pay scale for the period October 2000 to March 2003 worked out to Rs 2.37 crore. On enquiring the reasons for non adjustment of surplus staff (August 2002), the Director did not furnish any reply.

Monitoring and evaluation

3.1.36. The financial targets/achievements were also to be reviewed quarterly and annually. In addition, a mid term evaluation of various schemes at State level and concurrent evaluation from the PAU was also to be got done. No monitoring and periodical evaluation/review of the programmes/schemes implemented by the department was either done by the Government or by PAU.

Conclusion

3.1.37. The implementation of schemes faltered mainly because funds released by State and Central Governments were not fully utilised. Loans to Punjab Agro Industries Corporation were given without finalising terms and conditions for repayment. Investments made in Companies/Corporations proved unfruitful as no dividend was received. The 'Macro Management Work Plan' formulated to overcome the problem of unspent balances under the individual schemes remained ineffective due to delayed/non-release of funds by State Government and non-passing of bills by the Treasuries. The 'Mission for second push in Punjab Agriculture' as a measure for coping with the problem of saturation of traditional agricultural priorities also failed to achieve the objective of a shift from wheat-paddy culture to value added crops. Expenditure on plan schemes was mainly incurred in the last quarter of the year; no monitoring/evaluation was done and utilisation of funds given to various agencies for implementation of various schemes was not watched.

The draft review was forwarded to the Secretary in April 2003. Reply is awaited (August 2003).

3.2. Implementation of the Drugs and Cosmetics Act, 1940

HEALTH AND FAMILY WELFARE DEPARTMENT

Highlights

The Drugs and Cosmetics Act, 1940 (Act) is a Central Act and is applicable to the whole of India. This Act alongwith the other associated Acts and the rules made thereunder regulate the manufacture, sale, import, export and clinical research of drugs and cosmetics in India. While the parameters of control are devised by the Central Government, these are required to be actually implemented by the State Government. Dereliction occurs in the implementation of regulatory parameters especially in the areas of licensing, approval, monitoring, prosecution, inspection and recall of substandard/spurious drugs. In Punjab, the Act has not been implemented effectively. The provisions of the Act regarding inspection of units, drawing/testing/reporting of samples, speedy and effective action against those manufacturing and marketing sub-standard/spurious drugs were not implemented strictly and meticulously. There was shortfall in conducting inspections of manufacturing units and action against drug offenders was inadequate. There was no co-ordination with other States/State Vigilance Authorities for tracking down the activities of drug offenders.

- ***Shortfall in drawing of samples for testing of allopathic drugs ranged between 10 and 35 per cent during 1998-2003. No samples of Ayurvedic and Unani drugs were drawn for testing.***

  (Paragraphs 3.2.15. & 3.2.16.)

- ***Ten Blood Banks and 11 drug manufacturers continued to function without renewal of licences. Applications for renewal of 7,932 licences of wholesalers and retailers relating to the period 1998-2002 were still pending for renewal as of February 2003/May 2003.***

  (Paragraphs 3.2.9., 3.2.11. & 3.2.12.)

- ***Against 74,459 inspections of drug manufacturing and selling units required to be conducted by the Drug Inspectors during 1998-2003, only 10,489 inspections were conducted.***

  (Paragraph 3.2.17.)

- ***Samples of drugs awaiting analysis in the Drug Testing Laboratories increased from 615 in March 1999 to 1,679 in March 2003. Delay of one to 23 months in analysing 369 samples resulted in continued sale of sub-standard and spurious drugs.***

  (Paragraphs 3.2.18. & 3.2.19.)

- ***Action against 486 drug offenders was not finalised despite the fact that samples of their drugs were declared substandard, spurious, etc. during 1998-2002.***

  (Paragraph 3.2.20.)

Introduction

Background

3.2.1. At the beginning of the twentieth century, the Drug Industry was practically non-existent in India and pharmaceuticals were being imported from abroad. The First World War changed the scene and not only were the cheaper drugs imported in increasing volume, the demand for indigenous products also started growing. With the call for Swadeshi, manufacturing concerns, both Indian and Foreign, sprang up to produce pharmaceuticals at cheaper rates to compete with imported products. Some of these were of inferior quality and harmful. The Government was, therefore, called upon to take note of the situation and consider the matter of introducing legislation to control the manufacture, distribution and sale of drugs and medicines. A Select Committee appointed by the Central Legislative Assembly in 1937 recommended various measures, providing for the uniform control of manufacture and distribution of drugs as well as of import. The outbreak of the Second World War in 1939 delayed the introduction of legislation and finally the Drugs Act* was passed on 10 April 1940.

At present, the following Acts and Rules made thereunder apart from the Drugs and Cosmetics Act, 1940 govern the manufacture, sale, import, export and clinical research of drugs and cosmetics in India : The Pharmacy Act, 1948; The Drugs and Magic Remedies (Objectionable Advertisement) Act, 1954; The Narcotics Drugs and Psychotropic Substances Act, 1985; The Medicinal and Toilet Preparations (Excise Duties) Act, 1956; The Drugs (Prices Control) Order 1995 (Under the Essentials Commodities Act). But the main Act continues to be the 'The Drugs and Cosmetics Act, 1940.'

3.2.2. Main features of the Drugs and Cosmetics Act, 1940

- Regulatory measures to ensure standards of Drugs and Cosmetics, Diagnostics and Devices.
- Monitoring of quality of drugs and medicines imported, manufactured, distributed and sold to public.
- Punitive measures for dereliction of provisions of the Act.
- Regulate clinical research and publication of Indian Pharmacopoeia.

Scope of Statutory Functions

3.2.3. This is a Central Act and is applicable to the whole of India. The main functions of Central Government are (a) laying down standards of drugs, cosmetics, diagnostics and devices (b) laying down regulatory measures, amendments to Acts and Rules (c) to regulate market authorisation

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* Drugs Act, 1940 was amended to provide for regulation of the manufacture of cosmetics and prohibition of import and sale of sub-standard and misbranded cosmetics vide Government of India Gazette notification dated 4th December 1961.

of new drugs, clinical research in India, and standards of imported drugs (d) to approve licences to manufacture certain categories of drugs as Central Licence Approving Authority i.e. for Blood Banks, Large Volume Parenterals and Vaccines & Sera (e) work relating to the Drugs Technical Advisory Board (DTAB) and Drugs Consultative Committee (DCC) (f) testing of drugs by Central Drugs Laboratories (g) publication of Indian Pharmacopoeia, etc.

The main functions of the State Government are (a) licensing of drug manufacturing and sales establishments (b) licensing of drug testing laboratories (c) approval of drug formulations for manufacture (d) monitoring of quality of Drugs & Cosmetics manufactured by respective state units and those marketed in the state (e) investigation and prosecution in respect of contravention of legal provisions (f) administrative actions to regulate the standards of imported drugs (g) pre– and post– licensing inspection and (h) recall of sub-standard drugs.

Scope of Audit

3.2.4. It would be seen from the scope of responsibility that while parameters of control are devised by the Central Government, these are required to be actually implemented by the State Government, excepting areas of standard setting for imported drugs, regulations of clinical research and market authorisation of new drugs. It is in the implementation of the regulatory parameters that derelictions occur particularly in the areas of licensing, approval, monitoring, prosecution, inspection and recall of sub standard/spurious drugs.

Audit examination of the implementation of the Drugs and Cosmetics Act, 1940 adopts these areas of possible dereliction as critical indicators for the level of implementation.

The implementation of Act for the period 1998-2003 was reviewed during November 2002 to March 2003, based on the test check of records of State Drugs Controller, Punjab in the office of the Director, Health and Family Welfare, Punjab (Director), State Drugs Laboratory at Chandigarh and records of Drug Inspectors in six[16] districts keeping in view the critical indicators.

Implementation arrangement

3.2.5. The State Drugs Control Organisation is functioning under the administrative control of the Director who is assisted by three Assistant Drugs Controller at Headquarters and 15 Drug Inspectors at field level working under the administrative control of respective Civil Surgeon. State Drugs Laboratory, Punjab, Chandigarh is under the charge of Government Analyst who is assisted by six Analysts. In respect of Ayurveda, the Director of Ayurveda is the licensing authority who is assisted by a Deputy Director at Headquarters and 14 District Ayurvedic and Unani Officers at field level who have been notified as Drug Inspectors. No separate budget allotment is made as the State Drugs Controller and State Drugs Laboratory work under the overall control of Director.

[16] Amritsar, Ferozepur, Jalandhar, Ludhiana, Patiala and Ropar.

The position of staff sanctioned and in position for the implementation of the Act during 1998-2003 is as under:

	Sanctioned strength					In Position					Shortage
Year	**Asstt Drugs Controller**	**Drugs Inspector**	**Government Analyst**	**Analyst**	**Total**	**Asstt Drugs Controller**	**Drugs Inspector**	**Government Analyst**	**Analyst**	**Total**	
1998-99	3	15	1	6	25	3	6	1	5	15	10
1999-2k	3	15	1	6	25	3	12	1	5	21	4
2000-01	3	15	1	6	25	3	12	--	6	21	4
2001-02	3	15	1	6	25	3	11	1	4	19	6
2002-03	3	15	1	6	25	3	9	1	3	16	9

It would be seen that shortage in the cadre of Drug Inspectors, which are the main constituent of the organisation for implementing the provisions of the Act, ranged between 20 and 60 *per cent* during 1998-2003. No efforts were made to provide sufficient staff for proper implementation of the Act.

Enforcement

Infirmities in the Act/Rules

3.2.6. The following infirmities were noticed during test check of records for which no subordinate legislation were passed by the Government.

- Under Rule 63 of the Rules, if an application for renewal of licence in force is made before its expiry, the licence shall continue to be in force until orders are passed on the application. No time frame has, however, been prescribed in the Act for renewal of licences.
- No time limit has been prescribed in the Act to file the complaint by the department in the court of law with the result action against the offenders get delayed.
- No time limit has been prescribed to analyse drug samples due to which substandard/spurious drugs continue to be sold in the market.

3.2.7. In the test checked districts, 24 cases were decided by the Courts in respect of samples of drugs declared substandard/spurious during 1998-2003; in 14 cases only, the offenders were convicted and in the remaining 10 cases the offenders were acquitted.

Deficiencies in the Licensing procedure

3.2.8. Licences are required for manufacture of drugs and cosmetics for sale, stock or exhibit for sale, distribution, etc. The licence is required to be renewed after two years (five years with effect from 24th August 2001). No survey was conducted for identification of such units as no surveillance unit was established by the State Drugs Controller.

Non-renewal of manufacturing licences

Non-renewal of licences resulted in continued manufacture of drugs after the expiry of their licences

3.2.9. Test check of records revealed that licences of 11 drug manufacturers were not renewed upto May 2003 though their licences were due for renewal in January 2000 and January 2001. In five cases, neither the manufacturers applied for renewals nor department initiated any action against them. Although the remaining six firms applied for renewal in time, the Drug Inspectors had not inspected the units as of May 2003. There was nothing on record to indicate whether the firms continued to manufacture drugs.

The department contended (January 2003) that inspection for renewal of licences could not be conducted due to shortage of staff.

Delay in renewal of licences

Renewal of licences after expiry of the period upto which licences were applied for

3.2.10. Test check of records revealed that 38 dealers applied in time for renewal of their licences for sale of drugs for the period January 1999 to December 2000 (six cases) and January 2000 to December 2001 (32 cases). The department, however, renewed licences of 37 dealers with delays ranging between four and 23 months after the expiry of the period upto which these were applied for. In one case, licence had not been renewed so far (June 2003).

The department pleaded (January 2003) that licence of a unit who has applied for renewal in time, is treated as valid till its renewal but due to shortage of staff, licences could not be renewed in time. Evidently, these units were not even inspected during the validity period of licences to ensure that conditions for renewal of licence under the Act were fulfilled.

Licences pending renewal

3.2.11. A licence is required to be renewed before its expiry. Out of 19,087 applications received for renewal of wholesale/retail licences by the Drug Inspectors of test checked districts during January 1998 to December 2002, 7,932 licences (42 *per cent*) had not been renewed (February 2003) as detailed below:

7,932 licences awaiting renewal though applications were received during January 1998 to December 2002

Year	Number of applications received	Number of licences renewed	Pending
1998	3610	3390	220
1999	3778	3588	190
2000	3675	3121	554
2001	3998	1021	2977
2002	4026	35	3991
Total	**19087**	**11155**	**7932**

The department stated (February 2003) that licences were pending for renewals for want of some documents from the licencees. The plea was not tenable because it was responsibility of the department to either renew or cancel the licences before the expiry period.

Non-renewal of licences to operate Blood Banks

Ten Blood Banks continued to operate for three to four years without renewal of licences

3.2.12. In eight cases, the licences to operate Blood Banks expired on 31 December 1999 and in two cases on 31 December 2000. Although seven Blood Banks applied for renewal of licences, their licences were not renewed (May 2003). While State Drugs Controller directed (November 2002) one Blood Bank to apply for renewal of licence, no action was initiated against the remaining two Blood Banks. Thus, ten Blood Banks continued to operate for the last three to four years without a valid licence.

The department admitted (January 2003) the facts and stated that due to shortage of staff, inspections for grant/renewal of licences could not be carried out.

Improper maintenance of licence registers

Licence Registers not maintained properly

3.2.13. Licence register is an important record to monitor the number of licences issued/renewed or cancelled pertaining to manufacturers, wholesalers and retail dealers of drugs and cosmetics. The register should normally contain name and address of licencees, number and period of licence granted, particulars of competent person/technical staff, date of renewal/cancellation and licence fee paid.

It was noticed that registers contained details only about the number of licences issued and the period for which issued but did not contain information regarding date of renewal/cancellation of licences, receipt of licence fees, etc. Thus, due to improper maintenance of licence register, at no time was the department aware of the existing number of units, licences due for renewal/ renewed or cancelled and change of constitution of the firms, if any. The department, thus, failed to monitor licencees operating unauthorisedly after expiry of their licences.

Non-maintenance of receipt records

Reconciliation of receipts with the treasuries was not done to verify the correctness of amount deposited

3.2.14. Licence fee is directly deposited into treasury by the licencees through challans and one copy of the same is attached with the application. These challans were neither entered in any register to verify the correctness of the amount deposited nor reconciled with the treasury. Thus, due to non-maintenance of receipt records, correctness of amounts deposited by various licencees could not be ascertained.

Inadequacy of Samples drawn

Shortfall in drawing of samples

Shortfall in samples drawn ranged between 10 and 35 *per cent*

3.2.15. As per Drugs and Cosmetics Rules, 1945 (Rules), a Drugs Inspector was empowered (i) to take samples of any drug and cosmetics, (ii) to send such samples for analysis to Government Analyst and (iii) to launch prosecutions in the court of law against the offenders with the prior approval of the Director. The department has prescribed 15 samples per month to be taken by each Drugs Inspector for big districts, 10 for small districts and seven for the Drugs Inspector holding additional charge of a district.

Based on these norms, the position of samples in six test checked districts during the period 1998-2003 (upto February 2003) was as follows:

Year	Samples to be taken	Samples actually taken	Shortfall (*Per cent)*
1998-99	1068	691	377 (35%)
1999-2000	1068	693	375 (35%)
2000-2001	1140	971	169 (15%)
2001-2002	1140	1024	116 (10%)
2002-2003 (Upto February 2003)	908	786	122 (13%)
Total	**5324**	**4165**	**1159**

Thus, against 5,324 samples to be taken, 4,165 samples were taken resulting in shortfall of 1,159 samples ranging between 10 and 35 *per cent* during 1998-2003.

The Drug Inspectors attributed (February 2003) the shortfall in taking samples to shortage of staff. The reply is not tenable because targets were fixed by the department keeping in view the availability of Drug Inspectors in the respective districts.

Non-taking of samples of Ayurvedic and Unani Drugs

No sample drawn/tested for Ayurveda and Unani Drugs

3.2.16. No samples of Ayurvedic and Unani Drugs were drawn/got tested by the Director of Ayurveda, Punjab, Chandigarh. The department stated (December 2002) that sample of drugs were not drawn as there was no laboratory for testing of samples of Ayurvedic drugs in the State. This indicated the low priority attached to testing of Ayurvedic and Unani Drugs.

Shortfall in inspection of Units

Against 74,459 inspections required to be conducted, only 10,489 inspections were conducted resulting in shortfall of 63,970 inspections

3.2.17. As per Rules, a Drugs Inspector was required to inspect drug manufacturing and selling units at least twice a year (once a year with effect from 28th September 2001) within the area assigned to him.

In six test-checked districts, against 73,179 inspections required to be conducted by the Drug Inspectors, 10,009 inspections were conducted during 1998–2003 which resulted in shortfall of 63,170 inspections (86 *per cent*).

Similarly, in four districts (Ferozepur, Jalandhar, Ludhiana and Ropar), against 1,280 inspections required to be conducted by the District Ayurvedic and Unani Officers, 480 were conducted resulting in shortfall of 800 inspections (63 *per cent*).

The Drug Inspectors attributed (February 2003) the shortfall to shortage of staff and non-availability of vehicles. The plea is not acceptable because percentage of shortfall of inspections were not commensurate with the shortage in the posts of Drug Inspectors.

Working of Drug Testing Laboratory

3.2.18. Test check of records of Government Analyst, Punjab, Chandigarh revealed that 1,281 samples of drugs received during 1996-97 (291) and 1997-98 (990) were pending for testing in the laboratory as of March 1998. Further, of 9,619 samples received for testing/examination in the laboratory

1,679 samples were still awaiting testing

during 1998-2003, 9,221 samples were analysed and 1,679 samples received during 2001-02 (167) and 2002-03 (1,512) were pending for testing as on March 2003. The number of samples pending for testing increased from 615 as on March 1999 to 1,679 in March 2003 which could result in production of sub-standard and spurious drugs by manufacturing units. No separate laboratory was set-up to accelerate the analysing of drug samples.

The department attributed (March 2003) the delay in testing of samples to non-availability of various chemicals, latest equipment and shortage of staff. It was, however, seen that 50 *per cent* funds remained unutilised during the period 1998-2003.

Testing of samples of drugs

3.2.19. Testing of drug samples in time plays an important role in preventing the manufacture/sale of substandard and spurious drugs.

Continued sale of substandard and spurious drugs due to delay of one month to 23 months in analysing 369 drug samples

Out of 492 drug samples declared sub-standard, spurious etc. during 1998-2003 in the test checked districts, 369 drug samples were analysed late with delays ranging between one month and 23 months (after one month of receipt of samples for analysis in the laboratory).

The department stated (January 2003) that there was no time limit prescribed in the Act for analysing a drug sample and all samples were analysed before their expiry. The reply is not acceptable because delay in analysing and declaring a drug substandard, spurious, etc., results in continued sale of these drugs. Besides, in the absence of any time limit for analysis of a sample in the Act, the objective of preventing the manufacture/sale of sub-standard, spurious drugs till declaration of result, remained unachieved.

Follow up action on samples found sub-standard or spurious

Action against 486 cases of samples of drugs declared sub standard, spurious etc. during 1998-2002 not finalised so far

3.2.20. Of 886 samples of drugs declared substandard (698), spurious (46) and misbranded (142) during April 1998 to March 2003 in the State, 54 samples were of life saving drugs, 182 of antibiotics and 650 of other drugs. Out of 492 drug samples declared sub-standard, spurious and mis-branded (as detailed below in the test checked districts) action against only six cases was taken by issuing simple warnings (four cases) and suspension of permission for manufacturing drugs for 15 days (two cases).

Year	No. of cases			Total	Cases not finalised	Cases finalised	First action delayed
	Substandard Drugs	Spurious Drugs	Misbranded Drugs				
1998	48	-	32	80	79	1	16
1999	79	7	5	91	88	3	30
2000	81	8	20	109	108	1	11
2001	88	6	18	112	112	-	27
2002	86	2	12	100	99	1	6
Total	382	23	87	492	486	6	90

Action against 486 cases, including 23 cases of spurious drugs (life saving 2, antibiotic 8 and others 13) have not been finalised so far despite delay ranging between one and five years. In 90 cases, even the first action to intimate the licencees of the failure of their sample was taken after a delay ranging between one and 24 months.

Reasons for delay in initiating/finalising action against the defaulters were not furnished.

Seizures and Searches

No records of seizures/raids conducted and results thereof produced to Audit

3.2.21. Seizures and searches in the premises of various manufactures/ sellers of drugs are to be carried out by the Drugs Inspector/Assistant Drugs Controller under Section 22-I (c) with a view to ensuring that the units were not manufacturing/ selling sub-standard/spurious drugs. In response to an audit querry, the department stated that most of the complaints on the basis of which raids are conducted remain in the custody of concerned Drugs Inspector. However, no records regarding receipt of complaints from various quarters and seizures and searchers was produced to Audit. In the absence of relevant records, number of seizures/ raids conducted and results thereof could not be ascertained/ reviewed in audit.

Establishment of Intelligence-cum-Legal cell

3.2.22. In view of the apprehension of availability of sub-standard and spurious drugs in the market, setting up of Intelligence–cum–Legal Cell under the State Drugs Authority is essential to collect information and to keep a check on the quality/standard of drugs. However, no such unit has been set up. Further, no liaison was established with other States/State Vigilance Authorities for monitoring the activities of manufacturers, wholesalers and retailers of spurious drugs.

Training

3.2.23. In order to upgrade the skills of Drug Inspectors, the State Drugs Controller should organise various training programmes. It was, however, noticed (January 2003) that no training programmes were arranged by the department during 1998-2003.

Monitoring

No monitoring for implementation of the provision of the Act done in the State

3.2.24. The various regulatory functions require close monitoring to ensure that the objectives envisaged in the Drugs and Cosmetics Act are achieved. However, no database of manufactures/licences issued, drug control functions and laboratory functions has been developed by the State Drugs Controller, Punjab for use by the department, as part of management information system.

The State Drugs Controller, Punjab stated in (November 2002) that monitoring system has not been established by the department due to shortage of staff.

Conclusion

3.2.25. In Punjab, the Drugs and Cosmetics Act was not implemented effectively. The provisions of the Act regarding inspection of units, drawing/testing/ reporting of samples, speedy and effective action against those manufacturing and marketing sub standard/spurious drugs were not implemented strictly and meticulously. No independent laboratory was set up by the Government for speedy analysis of samples. There was no co-ordination with other States/ State Vigilance Authorities for tracking down the activities of drug offenders.

The matter was referred to Government in April 2003. Reply is awaited (August 2003).

3.3 ACCELERATED IRRIGATION BENEFIT PROGRAMME

IRRIGATION AND POWER DEPARTMENT

Introduction

3.3.1. To accelerate the completion of on-going projects over the next four working seasons (i.e. in two years time), Central Loan Assistance (CLA) was provided to the State Governments by the Government of India (GOI), Ministry of Water Resources (MOWR) from October 1996 under Accelerated Irrigation Benefit Programme (AIBP). Initially, the multipurpose projects, major and medium irrigation projects costing more than Rs 1,000 crore which were in an advanced stage of completion were included. From March 1997, projects costing Rs 500 crore or more were also included. The CLA was to be given in the form of loan on matching basis and was to be released quarterly. From March 1997, the CLA was to be released in two equal instalments and second instalment was to be released only after the State Government had released the matching contribution against the first instalment. From March 1999, the funds were to be provided in ratio of 2:1 (Centre **:** State).

In Punjab State, following five projects were covered under AIBP:

- Ranjit Sagar Dam Project (RSDP)
- Shahpur Kandi Dam Project (SKDP)
- Remodelling of Upper Bari Doab Canal (UBDC) System
- Irrigation to Himachal Pradesh area below Talwara
- Kandi Canal Project–Stage II

Audit Coverage

3.3.2. Review of records of Chief Engineer, FA&CAO and seven[17] divisions/offices of RSDP; CE, FA&CAO and five[18] divisions of SKDP; CE and five[19] divisions of UBDC and CE, Kandi Area Development, XEN, Shah Nehar Headworks Division, Talwara and Superintending Engineer, Kandi Canal Circle, Hoshiarpur was conducted during January to April 2003.

Non-synchronisation of Irrigation Projects

3.3.3. The existing Upper Bari Doab Canal (UBDC) system off taking from Madhopur Head Works on river Ravi had 247 distributaries and length of 400 Kms of main/branch canals with gross irrigated area of 3.54 lakh hectares in Amritsar and Gurdaspur districts of Punjab. The Ravi project approved (April 1982) by GOI envisaged construction of RSDP and SKDP on river Ravi for providing additional irrigation to 3.48 lakh hectares in these districts through enhanced and regulated water supplies after remodelling of existing UBDC system. For ensuring optimum utilisation of irrigation potential, completion of SKDP and Remodelling of UBDC System was required to be synchronised with the completion of RSDP. This was, however, not done because RSDP taken up during 1985-86 was completed in March 2001 whereas SKDP and Remodelling of UBDC System were approved for CLA in December 2000 and November 2001 for completion by March 2005 and March 2007 respectively. Thus, the objective of deriving full accelerated irrigation benefits was not achieved despite creation of irrigation potential of 3.48 lakh hectares since March 2001 after completion of RSDP.

Ranjit Sagar Dam Project

3.3.4. The RSDP on which expenditure of Rs 1,696.49 crore had already been incurred upto March 1996, was approved under AIBP in December 1996 at an estimated cost of Rs 2,221.80 crore for completion by 1998-99. The estimated cost was further revised (November 2000) to Rs 3,322.26 crore by Central Water Commission (CWC), New Delhi.

Financial Management

3.3.5. For completion of RSDP by 1998-99, funds amounting to Rs 525.31 crore were required and CLA of Rs 225 crore was agreed to be provided against which GOI released CLA of Rs 167.50 crore upto March 1998 and State Government released matching grant of Rs 324.86 crore. No funds were released by GOI and State Government during 1998-99. CLA and matching grant amounting to Rs 82.29 crore and Rs 69.91 crore respectively were released by GOI and State Government during 1999-2001 and total expenditure incurred during 1996-2001 amounted to Rs 644.56 crore.

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[17] 1. Communication Division; 2. Dam Construction Division; 3. Project and Reservoir Management Division; 4. Publication Cell; 5. Senior Design Engineer; 6. Field Mechanical Division and 7. Plant Erection Rigging Division at Shahpur Kandi.

[18] 1.Field Repair Division; 2.Rigging Division; 3.Shahpur Kandi Dam Division No. 1,2 & 4.

[19] 1.Canal Lining Arrear Division, Tarn Taran at Amritsar; 2. Canal Lining Division, Bathinda–2, Dilawalpur at Amritsar; 3.Majitha Division, UBDC, Amritsar; 4.Jandiala Division, UBDC, Amritsar and 5. Madhopur Division, UBDC, Gurdaspur.

Release of CLA of Rs 112.29 crore to project authorities delayed by one to four months

3.3.6. CLA amounting to Rs 112.29 crore received between November 1996 and March 2001 from the GOI was released by the State Government to the Project authorities with delays ranging between one and four months.

Delayed completion of the project resulted in cost and time over run of Rs 330.29 crore and 24 months respectively

3.3.7. The Project taken up during 1985-86 was completed in March 2001 but completion certificate had not been issued. However, expenditure aggregating Rs 3,652.55 crore was incurred upto March 2003 resulting in cost and time over run of Rs 330.29 crore and 24 months respectively. The Chief Engineer attributed (April 2003) the excess expenditure to escalation of prices, debiting of non-plan expenditure of maintenance, repairs, and establishment to the project as Government did not provide budget under Non-Plan after 1998-99 and stated that expenditure of Rs 157.59 crore was being transferred to Non-plan scheme. Reasons for the remaining excess were not intimated.

Irrigation Potential

Assessment of irrigation potential utilised not made even after two years of completion of the project

3.3.8. Against the creation of irrigation potential of 3.48 lakh hectares, the project authorities had not assessed the utilisation of the potential created even after two years of completion of the Project. However, the Chief Engineer started the process of collection of required data from the Chief Engineer, UBDC, Amritsar in March 2003 after it was enquired by Audit.

Irregular expenditure on execution of works

3.3.9. Rules provide that no expenditure on a work should be incurred unless and until a detailed design and estimate of the work is technically sanctioned by the competent authority. An expenditure of Rs 1.76 crore was irregularly incurred on the work of "Final concreting of intake plug and transition zone of T-2 tunnel" of the Project during July 1999 to April 2002 without getting the estimates technically sanctioned. Sanction was still awaited (April 2003).

Irregular expenditure of Rs 41.11 crore incurred due to non-sanction of detailed estimate and excess execution of works

3.3.10. Rules further provide that in case the actual expenditure exceeds the original estimated cost of the work by more than five *per cent*, approval of the revised estimate from the competent authority is necessary. In Spillway Concreting and Excavation Division, the work of concreting of spillway at the Project was taken up in January 1996 after sanction of estimate for Rs 240.94 crore. The work was completed in March 2002 by incurring expenditure of Rs 280.29 crore resulting in excess of Rs 39.35 crore (16 *per cent*) due to execution of 9.94 lakh cum concreting against the estimated quantity of 8.50 lakh cum. Sanction to revised estimate submitted by the XEN to the SE, RSD, Civil Circle in August 2002, was awaited (April 2003).

Recoverable amount from a firm

3.3.11. The work of “Emergency gate shaft reach and gate groove of tunnel P-1” and “Emergency reach of P-2 tunnel consisting of gate slot upstream and down stream transition reach” was completed by February 1999 at a cost of Rs 11.81 crore by firm ‘A’. Consequent upon filling of the reservoir of the dam upto the level of 478 meters and entry of water in tunnels, leakage of water through emergency gate of tunnel P-1 was found to be excessive and emergency gate could not be lifted and water fed to power house units. During inspection (August 1999) of the tunnels, it was observed that bottom liner in the down stream rectangular and transition position had bulged. Similarly, rectangular liner down stream of emergency gate of tunnel P-2 also bulged inward from bottom and vertical side.

Recovery of Rs 3.43 crore on account of works executed at the risk and cost of a firm remained undecided

The project authorities felt that the firm was not capable of undertaking the repairs and, therefore, after serving notice during January 2000, the repairs in both the tunnels were carried out departmentally at the risk and cost of firm by incurring expenditure of Rs 3.43 crore. The estimates for repairs had not been sanctioned as of June 2003 and consequently no recovery was made from the firm.

Unfruitful expenditure

3.3.12. Chief Minister, Punjab, decided in a meeting (March 2001) that a bronze statue of Maharaja Ranjit Singh be installed at Dam site. While the cost of the statue (Rs 35 lakh) was to be deposited by the Punjab State Electricity Board (PSEB), cost of civil works for statue platform, approaches, stairs, etc., was to be borne by the Project. This item was not included in the estimated cost. Expenditure of Rs 15 lakh incurred on construction of platform, view point, railings, etc. during 2001-02 and charged to the Project in anticipation of sanction to the estimate and receipt of Rs 35 lakh from PSEB had been rendered unfruitful due to non-installation of statue (April 2003).

Shahpur Kandi Dam Project

3.3.13. The SKDP was to act as balancing reservoir for working of RSDP power plants as a peaking station and to regulate water supply to UBDC system. The project estimated to cost Rs 1324 crore at June 2000 price level was approved for CLA of Rs 162 crore in the ratio of 2:1 under AIBP by the GOI in November 2001. The construction started in 2001-02 and its stipulated date of completion is March 2007.

Financial Management

Matching grant of Rs 7.425 crore was short released and CLA of Rs 16.16 crore released by GOI during October 2002 was not released upto June 2003

3.3.14. Against CLA of Rs 29.85 crore released by GOI during 2001-03, there was short release of matching grant of Rs 7.425 crore by State Government. While release of CLA of Rs 13.69 crore was delayed by two months, balance amount of Rs 16.16 crore released by GOI during October 2002 was not released upto June 2003. Further, even the total amount released was not spent resulting in saving of Rs 1.11 crore during the period 2001-03.

Rs 4.92 crore lying in the shape of DACs was depicted as charged to the project

3.3.15. It was further noticed that Rs 4.92 crore were lying in the shape of Deposits at Call (DACs) with the banks as of March 2003. This expenditure was charged to the project and, thus, expenditure depicted was inflated to this extent. Action of the Department to keep the funds in the shape of DACs was not only irregular but also caused loss of interest of Rs 74.18 lakh (calculated @ 11.5 *per cent* being charged by the GOI on CLA) upto March 2003.

The FA&CAO stated (April 2003) that funds were withdrawn in March 2002 from treasury due to late release of funds by the State Government for making urgent payments. Reply is not tenable as withdrawal of money without requirement was violative of financial rules.

Remodelling of UBDC System

3.3.16. For optimum utilisation of additional irrigation potential after completion of RSDP, remodelling of canals, bridges and distributaries of the existing UBDC System became necessary to increase their capacity to take enhanced discharge on account of increased water allowance. Consequently, the Project "Remodelling of UBDC System" estimated to cost Rs 177.80 crore for providing irrigation to additional area of 1.18 lakh hectares (out of potential of 3.48 lakh hectares created through RSDP) in Gurdaspur and Amritsar districts was approved by the GOI in December 2000 under AIBP in ratio of 2:1 (Centre : State) with date of completion as March 2005. The completion date, however, should have been planned to coincide with the completion of RSDP for utilisation of irrigation potential. The remaining potential was to be utilised after completion of SKDP.

Financial Management

3.3.17. GOI released CLA of Rs 93.33 crore between February 2001 and January 2002 and matching grant amounting to Rs 26.665 crore was released by the State Government between March and December 2001. Against availability of Rs 119.995 crore during 2000-03, Rs 112.659 crore were utilised resulting in saving of Rs 7.336 crore.

Matching grant of Rs 20 crore not released by State Government

3.3.18. There were delays of one to 12 months in release of CLA and matching grants by the State Government to the executing agencies. Further, matching grant of Rs 20 crore was not released by the State Government during 2001-02.

Physical performance

3.3.19. The approved project *inter alia* envisaged remodelling of 161 channels (Main lines, distributaries and minors) with length of 1,779.87 Kms and 48 Village Road (VR) bridges. It was noticed that remodelling of 1,754.54 Kms of channels and seven VR bridges was completed upto March 2003 resulting in shortfall of 25.33 Kms of remodelling of channels and 41 VR bridges. The Chief Engineer attributed the shortfall to delay in release of funds.

Creation of Irrigation Potential

3.3.20. The Project after completion envisaged irrigation to additional area of 1.18 lakh hectares. However, upto 2001-02, the additional potential of 0.94 lakh hectares was created against which 0.45 lakh hectares were irrigated leading to shortfall of 0.49 lakh hectares (52 *per cent*). The Chief Engineer attributed (January 2003) the shortfall in irrigation to non-completion of remodelling of outlets.

Injudicious transfer of funds

3.3.21. Shah Nehar Headworks Civil Division, Talwara was implementing part of work of remodelling of UBDC System. Funds amounting to Rs 1.75 crore were received without any demand by the Talwara Division from Jandiala Division, UBDC, Amritsar in March 2002 for remodelling works. These were deposited in current account in a Bank and no interest was earned although GOI was charging interest on CLA @ 11.5 *per cent*. Further, Rs 77 lakh were transferred back to Jandiala Division, UBDC, Amritsar in July 2002. The funds were, thus, injudiciously being transferred from one division to another.

The Executive Engineer stated (February 2003) that amount was kept in current account to ensure timely payments to contractors. The reply was not tenable as funds received were not immediately required by the division as even out of Rs 98 lakh retained by the division, Rs 15.16 lakh were still lying unspent (January 2003).

Execution of works

Expendture of Rs 6.27 crore was irregularly incurred in disregard of the provisions of rules

3.3.22. Incurring of expenditure on works without technical sanction of detailed estimates, execution of works in excess of provisions or without provisions in sanctioned estimates constitutes financial irregularity and expenditure so incurred in contravention of the provisions of financial rules becomes irregular pending sanction of estimates/revised estimates. Scrutiny of records of the divisions involved in the implementation of project disclosed that irregular expenditure aggregating Rs 6.27 crore was incurred in disregard of the rules. The details are given in ***Appendix XXIV.***

3.3.23. Financial rules provide that purchase order of stores should not be split so as to avoid necessity of obtaining sanction of higher authority. Rules further provide that whenever stores are purchased from open market, due publicity should be given to tender call notices through Newspapers. 27.61 lakh[20] empty cement (EC) bags required for various remodelling works were purchased for Rs 63.87 lakh during January–June 2002 by splitting up the purchase orders and without resorting to the procedure prescribed for the procurement of stores. The XENs stated (March 2003) that immediate purchase of EC bags was necessitated due to availability of short closure period of the channels for remodelling. The reply is not tenable because closure periods for execution of works are always known well before taking them up.

[20] Canal Lining Arrear Division, Tarn Taran at Amritsar : Rs 33.71 lakh: 14.77 lakh EC bags; Canal Lining Division No. 2 Bathinda, Dilawalpur at Amritsar : Rs 30.16 lakh: 12.84 lakh EC bags.

Non-submission of Utilisation Certificates (UCs)

Utilisation Certificate for Rs 12.659 crore not sent to GOI

3.3.24. Expenditure of Rs 112.659 crore was incurred upto 2002-03. However, utilisation certificates for Rs 100 crore were submitted by the department to the GOI. Thus, UCs for the balance amount of Rs 12.659 crore were still (January 2003) to be sent to GOI.

Irrigation to Himachal Pradesh (HP) area below Talwara

3.3.25. Before construction of Shah Nehar Barrage (SNB), people of HP used to irrigate their lands through small *kuhls* off-taking from river Beas. After construction of SNB in 1988, entire water of river Beas was diverted into Mukerian Hydel Channel (MHC) rendering 15,287 hectares of HP without any irrigation. For providing irrigation to this area, the Central Water Commission decided (May 1995) that Punjab would provide 228 cusecs water to HP free of cost from SNB and MHC and approved a project costing Rs 143.32 crore for the construction of two canals off taking from SNB and MHC and Punjab was to bear the cost of Rs 88.49 crore. This project was named as “Irrigation to HP area below Talwara” costing Rs 88.49 crore and was approved for CLA in the ratio of 2:1 (Central: Punjab State) under the AIBP. According to an agreement between Punjab and HP Governments, the Punjab Irrigation Department was to construct Head regulators and four to five Kms. of canals in the area falling in Punjab as a deposit work and expenditure thereon was to be debited to the Punjab share of CLA.

Financial Management

Utilisation Certificate issued in August 2002 was false because Rs 4.37 crore were lying in the bank

3.3.26. For implementation of the project, GOI released CLA of Rs 22 crore between March 2001 and January 2002 and State Government released matching grant of Rs 11 crore between November 2001 and August 2003. Against Rs 33 crore, funds amounting to Rs 30.70 crore were shown as utilised but CE, UBDC issued UC for the whole amount of Rs 33 crore whereas funds amounting to Rs 4.37 crore were lying in the current account in bank. Thus, UC issued in August 2002 was incorrect.

The Executive Engineer contended (February 2003) that money was kept in bank as it related to deposit work of HP Government. The reply is not tenable as the work on behalf of HP Government was being carried out by Punjab Government against the CLA from GOI.

3.3.27. Delay in releasing CLA of Rs 22 crore by the State Government to the executing agency ranged between two and five months. There was also delay of five to eight months in release of matching contributions by the State Government. Reasons for delay were not intimated by the Finance Department.

Kandi Canal Project – Stage II

3.3.28. Kandi Canal Project–Stage II envisaged further extension of 70.5 Km. (RD 59.500 to RD 130.000 Km) of Kandi Canal from Hoshiarpur to Balachaur and aimed at creation of irrigation potential of 0.23 lakh hectares. The project was approved (August 1999) by MOWR, New Delhi at an estimated cost of Rs 147.13 crore and was to be taken up during 2001-02 for completion by 2005-06. CLA of Rs 10.50 crore released by GOI in January 2003 had not been released alongwith matching contribution by the State Government to the project authorities as of June 2003 for which no reasons were intimated.

Monitoring and evaluation

State/Project level committees not formed and effective monitoring of the progress of the works not done

3.3.29. It was noticed that no mechanism was evolved for monitoring of the programme. The Chief Engineer, UBDC stated (January 2003) that State/Project level committees were not formed. Similarly, Chief Engineer, RSDP stated (February 2003) that aspect of formation of these committees was not in the knowledge of the administration. Thus, ineffective monitoring of the progress of works resulted in inordinate delay in completion of RSDP and works of other projects and incurring of expenditure in contravention of provisions of financial rules. Evaluation of the works was also not done.

The matter was referred to the Government in May 2003. Reply is still awaited (August 2003).

3.4. Stores and stock accounts

Introduction

IRRIGATION AND POWER DEPARTMENT

3.4.1. Stores and stock comprise all articles and material purchased or otherwise acquired for use on works. Out of 102 divisions including 20 divisions of Ranjit Sagar Dam Project (RSDP) of Irrigation and Power Department, test-check of records of 26 divisions[21], Financial Advisor and Chief Accounts Officer (FA&CAO), Chief Purchase Officer RSDP for the period 1998-2003 was conducted during July to December 2002.

Budgetary arrangement

3.4.2. No specific allocation of funds for procurement of stores is made in the annual budget of the Irrigation Department. To enforce strict financial control and discipline, the Finance Department introduced the Letter of Credit (LOC) system in March 1986. No separate LOC for the purchase of stores is issued. Payments for purchase of stores are made out of the funds released through LOC for works. The total expenditure incurred on procurement of stores in the test-checked divisions during 1998-2003 was Rs 525.95 crore.

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[21] (i) Mechanical Drainage Division Amritsar; (ii) Drainage Division, Amritsar; (iii) Majitha Division UBDC, Amritsar; (iv) Bari Doab Drainage, Division; Amritsar, (v) Stores Procurement Division IB, Chandigarh; (vi) Eastern Canal Division, Ferozepur; (vii) Canal Lining Division, Ferozepur; (viii) Harike Canal Division, Ferozepur; (ix) Mechanical Drainage Division, Ferozepur; (x) Drainage Construction Division, Ferozepur; (xi) Rajasthan Feeder Division, Ferozepur; (xii) Golewala Drainage Division, Ferozepur; (xiii) Madhopur UBDC Division, Gurdaspur; (xiv) Drainage Division, Hoshiarpur; (xv) Shah Nehar Extension Mechanical Division, Hoshiarpur; (xvi) Sidhwan Canal Division, Ludhiana; (xvii) Drainage Division, Ludhiana; (xviii) Bhakhra Main Line Division, Patiala; (xix) Drainage Division, Patiala; (xx) Lehal Division IB, Patiala,

Divisions of RSDP at Shahpurkandi

(xxi) Stores Division, (xxii) Ware House Division, (xxiii) Disposal Division No. I, (xxiv) Disposal Division No. II, (xxv) Communication Division and (xxvi) Field Mechanical Division.

Note: ***Above number mentioned against each selected division has been used in the subsequent footnotes instead of names of divisions.***

Store management

3.4.3. The Divisional Officer is mainly responsible for assessing requirement of stores, their acquisition, custody and disposal.

Inventory control

Reserve stock limit of stores

Reserve stock limit was sanctioned only in respect of one division

3.4.4. Financial rules provide for the fixing of Reserve Stock Limit (RSL) for each division at the commencement of the financial year so as to keep the stock within specific limits. Of the test-checked divisions, RSL was sanctioned only in respect of Stores Procurement Division, Chandigarh.

Bin card system, priced store ledger and half yearly stock registers

3.4.5. In order to bring improvement in the stores accounting system, bin card system was introduced in the department from April 1990. It was noticed that of the test-checked divisions, only nine divisions[22] had adopted the system. The remaining divisions continued to maintain the store accounts on the old system.

Improper maintenance of priced store ledgers and non-closing of 349 half yearly stock returns by 15 divisions

In contravention of the provisions of financial rules while the divisions where bin card system was adopted, had not closed priced store ledgers and reconciled the balances with the bin cards since its adoption, 15 divisions[23] which had not switched over to the new system had not closed 349 half yearly stock registers pertaining to the period from September 1986 to March 2003.

It was also noticed that variations between the value of stores as per book balances and the ground balances actually held as of March 2003 of the following divisions remained un-reconciled:

(Rupees in lakh)

Sr. No.	Name of Division	Value as per	
		Stock Accounts	**Ground balance**
1.	Patiala Drainage Division, Patiala	49.83	3.67
2.	Lehal Division IB, Patiala	10.41	1.58
3.	Sidhwan Canal Division, Ludhiana	2.20	2.08
4.	Mech. Drainage Division, Amritsar	131.11	107.77
5.	Ware House Division RSDP, Shahpurkandi	2189.95	2140.60
6.	Mechanical Drainage Division, Ferozepur	(-)143.52	195.14
7.	Drainage Construction Division, Ferozepur	(-) 12.84	0.97

Reasons for non-adoption of bin card system, non-maintenance of priced store ledgers and in not closing half yearly stock registers had not been intimated (March 2003).

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22 vi, ix, xi, xxi-xxvi

23 i: 27, ii: 27, iii: 27, iv: 22, v: 13 vii: 20, viii: 27, x: 27, xii: 27, xiii: 17, xiv: 13, xv: 33, xvi: 27, xvii: 27, and xix: 15

Physical verification

Annual physical verification of stores of all divisions not done by Workshop Division, IB, Chandigarh

3.4.6. Physical verification of stores held by the sub divisions, was to be conducted by Workshop Division (IB) Punjab, Chandigarh at least once in a year. It was noticed that physical verification of stores held by eight to 13 sub-divisions of test-checked divisions was conducted each year during 1998-2003.

The XEN attributed (January 2003) the shortfall in conducing physical verification of stores to shortage of staff. The reply is not tenable because staff in position was as per sanctioned strength of the division.

Tools and Plant returns

3.4.7. The numerical account of articles of Tools and Plant (T&P) is kept in a separate register. Every year ending September, yearly T&P return is to be prepared for each sub-division and also consolidated by the Divisional Office and got audited. In 17 out of 20 Divisions test-checked, 122 T&P returns were in arrears for one to 16 years. Reasons for non-preparation of T&P returns were not intimated (March 2003) by the XENs.

Non-adjustment of storage charges

3.4.8. Storage charges are levied on all issues of stock to cover actual expenditure incurred on maintenance. These charges are required to be adjusted at the end of each year as profit or loss on stock and no balance is to be carried forward to the following year.

At the end of March 2003, credit balance (profit) of Rs 2.22 crore and debit balance (loss) of Rs 4.48 lakh had accumulated in 11 and one division[24] respectively. Reasons for non-adjustment of balances were not intimated by the XENs.

Un-authorised utilisation of storage charges

3.4.9. The accumulated credit balance of storage charges amounting to Rs 16.17 lakh was unauthorisedly utilised by Stores Division, RSDP Shahpurkandi towards payment of advertisement bills during 2001-02. The XEN stated (April 2003) that expenditure was debited to the estimate of stock storage as desired by the higher authorities.

Non-closing of manufacture accounts

3.4.10. Under Article 162 and 163 of Account Code Vol. III, the manufacture accounts should not remain open indefinitely and should be closed periodically or at least once a year. The loss or profit under this head should be adjusted by adjustment of out-turns at the end of each financial year. Profit, if any should be credited to revenue.

[24] i : 1.87 lakh ii : 0.33 lakh iii : Rs 0.13 lakh, vi : Rs 7.45 lakh, ix : Rs 3.89 lakh, x : Rs 0.01 lakh, xii : Rs 1.76 lakh, xv : Rs 6.52 lakh, xix : Rs 1.41 lakh, xxi : Rs 48.31 lakh, xxii : Rs 149. 84 lakh = Rs 221.52 lakh (Rs 2.22 crore).
vii : Rs 4.48 lakh.

In 15 divisions[25], Rs 36.69 crore was lying unadjusted under suspense head "Manufacture" as of March 2003 due to non-adjustment of out-turns of machinery resulting in concealment of expenditure chargeable to works.

Minus balances in stock

Minus balances in stock accounts aggregating Rs 38.89 crore were pending in 10 divisions

3.4.11. Minus balances in the stock accounts are indicative of errors in account and may lead to concealment of fraud and misappropriations. In 10 divisions[26], there were minus balances aggregating Rs 38.89 crore as of March 2003 which were persisting for the last one to five years which were indicative of defective maintenance of store accounts.

The minus balances were due to non-adjustment of (i) Accountant General's memos for material received through the Director General, Supplies and Disposal, (ii) advances paid to suppliers, (iii) profit and loss in stock and (iv) value of stores taken back on stock and delay in adjustment of their transactions.

Other points

Purchase of store in excess of requirements

Material valuing Rs 6.38 crore remained unutilised

3.4.12. Rules provide that procurement of store articles must be made in the most economical manner in accordance with the definite requirement of the public service. In two divisions of RSDP, material valuing Rs 6.38 crore was lying unutilised (April 2003) as detailed below:

Sr. No	Name of Division	Value (Rupees in crore)	Particulars	Unutilised since
1.	Ware House Division, RSDP, Shahpur Kandi	0.49	Tyres	July 1978 to May 1996
2.	Stores Division, RSDP, Shahpur Kandi	4.54	Spare parts	July 1978 to December 2001
	--do--	1.35	12 mm Steel	1988-89

The XEN Stores Division, RSDP stated (April 2003) that material could not be utilised at site of work due to change in design or other technical reasons. The XEN, Warehouse Division, RSDP stated (April 2003) that tyres could not be utilised as the relevant machines remained inoperative.

25 i : Rs 206.55 lakh, ii : Rs 18.41 lakh, iii : Rs 14.59 lakh, iv : Rs 14.08 lakh, vii : Rs 1.65 lakh, viii : Rs 5.58 lakh, ix : Rs 268.79 lakh, x : Rs 4.20 lakh, xi : Rs 8.25 lakh, xv : Rs 50.82 lakh, xvii : Rs 5.37 lakh, xviii : Rs 0.31 lakh, xxi : Rs 18.80 lakh, xxii : Rs 325.47 lakh and xxvi : Rs 2725.84 lakh = Rs 3668.71 lakh (Rs 36.69 crore).

26 iii : Rs 3.67 lakh, iv : Rs 69.77 lakh, viii : Rs 41.36 lakh, ix : Rs 143.52 lakh, x : Rs 12.84 lakh.
Divisions of RSDP: Inspection Lay Out Division : Rs 60.50 lakh, Spillway Division: Rs 659.37 lakh, Electrical Division: Rs 2860.37 lakh, Plant, Erection & Maintenance Division: Rs 5.22 lakh, Barrage Division : Rs 32.24 lakh = Rs 3888.86 lakh (Rs 38.89 crore).

Non-disposal of unserviceable material and machinery

Unserviceable material/machinery valuing Rs 25.51 crore remained undisposed

3.4.13. Materials/machinery valued at Rs 25.51 crore were declared unserviceable by 12 divisions[27] between April 1992 to March 2001 but were not disposed off as of March 2003 resulting in blockade of Government funds.

Non-disposal of surplus material and machinery

Material and machinery valuing Rs 96.30 crore were lying surplus/idle in seven divisions

3.4.14. In Shah Nehar Extension Mechanical Division, Hoshiarpur and Disposal Division, No. I & II, RSDP, Shahpurkandi, material and machinery valued at Rs 16.62 lakh and Rs 75.58 crore (Warehouse Division, RSDP: Rs 33.14 crore; Communication Division, RSDP : Rs 42.44 crore) respectively procured between April 1964 and December 1995 were lying unutilised since December 1998. Similarly machinery and equipment valued at Rs 20.55 crore were lying idle since March 1979 to March 2003 in four divisions[28]. The divisions had not circulated the list of surplus/idle stores to other divisions for exploring the possibility of their utilisation elsewhere.

Under-utilisation of machinery

3.4.15. The Communication Division, RSDP, Shahpurkandi was maintaining heavy earth moving machinery viz. dozers, dumpers etc. for use on the Project. The shortfall in utilisation of machinery mainly due to break downs and for want of work with reference to the estimates prepared by the division during 1998-2003 ranged between 86 and 95 *per cent* as detailed below:

Year	Estimated working hours	Actual working hours	Shortfall	
			Hours	Percentage
1998-99	34781	1659	33122	95
1999-2000	47824	6858	40966	86
2000-2001	101403	12827	88576	87
2001-2002	106529	10506	96023	90
2002-2003	87045	5791	81254	93

Non-realisation of cost of material

3.4.16. All the transactions relating to services rendered or supplies made by one division to another division/department and accounted for under the suspense head "Cash Settlement Suspense Accounts" are required to be settled by the corresponding division within ten days so that at the close of the year, there are no outstanding balances. It was, however, observed that amount aggregating Rs 2.92 crore on account of material supplied to other divisions representing 523 items in 14 divisions[29] were outstanding as of March 2003 and

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[27] i: Rs 10.20 lakh, vi: Rs 13.27 lakh, vii: Rs 0.19 lakh, ix: Rs 27.50 lakh, x: Rs 0.85 lakh, xv: Rs 10.89 lakh, xvii: Rs 0.47 lakh, xviii: Rs 6.00 lakh, xxii: Rs 1591.41 lakh, xxv: Rs 175.08 lakh, Dam Construction Division, RSDP : Rs 682.10 lakh and Workshop Division, RSDP : Rs 32.67 lakh = Rs 2550.63 lakh (Rs 25.51 crore).

[28] i: Rs 8.15 lakh xv: Rs 9.31 lakh, xxii: Rs 753.76 lakh and Dam Construction Division, RSDP : Rs 1283.49 lakh = Rs 2054.71 lakh (Rs 20.55 crore).

[29] vii: Rs 1.32 lakh, viii: Rs 0.57 lakh, ix: Rs 14.39 lakh, x: Rs 0.73 lakh, xi: Rs 0.12 lakh, xii: Rs 10.33 lakh, xiii: Rs 2.41 lakh, xv: Rs 26.52 lakh, xvii: Rs 3.04 lakh, xviii: Rs 2.19 lakh, xix: Rs 5.48 lakh, xx: Rs 0.13 lakh, xxi: Rs 101.45 lakh, xxii: Rs 122.95 lakh = Rs 291.63 lakh (Rs 2.92 crore).

pertained to the period 1980 onwards. However, no reasons for delay were furnished.

Non-receipt of the material against advance payments

3.4.17. In six divisions[30], Rs 2.81 crore were outstanding against 116 firms/suppliers on account of short/non-supply of material against the advance payments made during January 1972 and October 2000. The FA & CAO, RSDP, Shahpur Kandi stated (April 2003) that efforts were being made to obtain material. No reply was furnished by other divisions.

Loss to Government

3.4.18. RSDP was maintaining a fleet of 115 Knee Hopper Wagons (KH Wagons) for carriage of cement from cement manufacturing units. It was noticed that 19 Wagons valuing Rs 39.83 lakh were found missing between February 1994 and March 2000. The matter was taken up with Railways as late as May 2001. However, neither these wagons were located nor was any claim for the loss lodged with Railways.

The XEN, Stores Division, RSDP Shahpurkandi stated (April 2003) that matter has already been taken up with Railway Department to get back the wagons but claim could not be lodged until Railway authorities issued untraceable certificate. Thus, abnormal delay in reporting the matter of missing wagons to Railways could cause ultimate loss to the department.

3.4.19. In three divisions[31], 15,586 bags of cement valuing Rs 10.38 lakh which remained in stock for more than five years became unfit for use. The responsibility for loss had not been fixed (March 2003).

Infructuous expenditure on purchase of BIAXIAL INCLINOMETER

3.4.20. On the recommendations of Board of Consultants of RSDP, a Biaxial inclinometer probe for vertical installations alongwith accessories to monitor the behaviour of RSDP was ordered (September 1999) at a cost of Rs 28.50 lakh. The instrument was supplied in July 2000 and drilling equipment and engineers were deployed for installation by the firm. After inspection and receipt of material at RSD Project, 70 *per cent* of the cost amounting to Rs 20.58 lakh was released in August 2000.

Subsequently, the Board of Consultants in its 42nd meeting held in November 2000 advised the project authorities that drilling of holes for installation of the instrument may cause undesirable disturbance in the Dam. Accordingly, installation of the instrument was abandoned. Balance 30 *per cent* payment of Rs 8.54 lakh was released in December 2002. Thus, procurement of an instrument without pre-determining its utility led to infructuous expenditure of Rs 29.12 lakh.

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[30] i: Rs 0.56 lakh, :5, ix: Rs 10.05 lakh :40, x: Rs 0.22 lakh : 8, xv: Rs 1.29 lakh :17, xxi: Rs 183.49 lakh: 42, xxii: Rs 85 lakh : 4 = Rs 280.61 lakh (Rs 2.81 crore).

[31] (i) BML Division, Patiala: 782 bags : Rs 0.78 lakh; Lehal Division, IB, Patiala : 11697 bags : Rs 5.41 lakh; and (iii) Bari Doab Drainage Division, Amritsar : 3107 bags: Rs 4.19 lakh.

Irregular purchase of loader without requirement

3.4.21. The Construction, Planning and Equipment Committee recommended (September 1999) procurement of one loader (Backhoe) costing Rs 14.16 lakh for use on RSDP subject to the condition that old condemned machines/equipment be disposed to set off the cost of new machine because of paucity of funds. However, the loader was ordered despite the fact that administrative approval for its procurement was not obtained. The machine was received in December 1999. The Division already had two loaders and one pocklain L&T, which had remained under-utilised and their utilisation ranged between six and 13 *per cent.* The new machine was also utilised only for 3,777 hours (26 *per cent*) upto March 2003 and remained idle for 3,987 hours (28 *per cent*) and its breakdown period was 6,618 hours (46 *per cent*). Thus, procurement of loader without administrative approval and adequate work was irregular.

The Director Plant Design, RSDP stated (March 2003) that proposal for according *ex-post facto* approval had been submitted to the Standing Committee of RSD Construction Board in November 2001. The same was, however, awaited (March 2003).

The above points were referred to Government in January 2003. Reply is awaited (August 2003).

3.5. Evaluation of Internal Audit System

Introduction

POLICE DEPARTMENT

3.5.1. In response to the growing concerns of financial analysts, governance experts and the civil society at large with regard to the debilities of internal control system in governance structures, increasing attention is being paid by audit to the efficacy of the internal control systems. Evaluation of the effectiveness of internal audit form part of a wide spectrum of measures devised for the purpose by the Comptroller and Auditor General of India. It has been considered useful to select a single department every year for evaluating the Internal Audit System. Evaluation of the Internal Audit System of the Police Department of the Government of Punjab is the first in this chain. It is clarified that internal audit is an integral part of the Administration that carries out the basic internal auditorial functions for the management. Unlike statutory audit, it is not independent of the management control and hence debilities in the internal audit system would have to be seen as debilities in the administrative accountability structure. Greater effectiveness of internal audit, by implication would ensure greater efficiency of Administration and consequently would attract lesser criticism from statutory Audit. Systems and procedure would be corrected on an ongoing basis, providing a concurrent support system to administration.

Organisational set up

3.5.2. In Police Department, a special post of Auditor (now Range Section Officer) is sanctioned in the office of each range Deputy Inspector General (DIG) to carry out a thorough audit inspection of the accounts including those of the Police Deposit Fund and General Police Fund in each district of the range, in conjunction with the DIG's annual inspection of the district or as may be ordered by the Inspector General (IG) or DIG.

Besides Police Headquarters at Chandigarh, the State is divided into six ranges with four to twenty five offices in each range. One Section Officer posted by the Finance Department (Treasury & Accounts Branch) in each range is solely responsible for the internal audit. Section Officers work under the administrative control of the concerned DIG of the range and Director General of Police (DGP) at headquarters and as such internal audit wing cannot be said to be independent.

Audit coverage

3.5.3. System of pre-auditing for exercising necessary checks before authorising payments exists at Headquarters of DGP/ADGP, PAP/IGs/DIGs of Ranges. Accounts of other units under the ranges are audited under post audit system by the Range Section Officers (RSOs). The accounts of offices where pre-audit exists are not post audited by RSOs.

The functioning of the Internal Audit System in Police Department was reviewed during September 2003 by test check of records of six[32] ranges where during 2002-03, expenditure of Rs 942.62 crore was incurred against the budget grant of Rs 954.32 crore. The results of review are embodied in the succeeding paragraphs.

Non-manualising of Government orders and imparting training

3.5.4. Though the Finance Department had been issuing orders/instructions from time to time relating to internal audit but these orders and instructions have not been codified in the shape of any manual in the Police Department even after many years of setting up of an internal audit wing. The manner in which the affairs of the internal audit system are to be regulated have also not been prescribed by the Police Department. Further, no training is being imparted to the internal audit staff by the Police Department.

Performance of Internal Audit

3.5.5. Evaluation of the internal audit system revealed the following :

- The RSO is solely responsible for conducting/reporting of audit observations and further settlement of outstanding objections. No supporting staff has been provided to assist the RSO. This shows that there is no check on the working of RSO.
- The internal audit staff was not ensuring the required coverage of auditable units. Test check of the records in four[33] ranges revealed (September 2003) that out of 26 units to be audited every year, 14 units (54

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[32] Amritsar, Ferozepur, Jalandhar, PAP Jalandhar, Ludhiana and Patiala

[33] Amritsar, Jalandhar, Patiala and Ferozepur

per cent) were in arrears as on 31 March 2003 and the delay ranged between one and two years. On this being pointed out (September 2003), the RSO, Patiala attributed (September 2003) shortfall in coverage of all the units every year to being busy in other work. No reply was furnished by other RSOs.

- No time limit for issue of audit notes to the respective offices after conducting and completion of the audit has been prescribed by the department. However, the audit notes were required to be issued to auditee units within thirty days from the completion of audit (as per practice prevalent in Internal Audit Organisation). Test check of the records of RSO, Patiala revealed that out of 14 audit notes issued during September 1999 to March 2003, 10 audit notes (71 *per cent*) were issued after a delay ranging from six to 150 days. No reasons for delay in issue of audit notes were furnished.

- The audit of all the units was to be conducted annually as per periodicity fixed by the department. Inspite of this, in three[34] ranges, audit of 15 units was conducted after two to three years. No norms have been fixed as regards the number of days to be allowed for audit of each unit. The delay in conducting audit would defeat the very purpose of internal audit as it may not be feasible to take corrective action at a belated stage.

- Replies to the audit notes issued were to be received by the RSOs within one month from the date of issue of audit note. No records of audit notes and paras lying pending/outstanding was maintained by RSOs. However, scrutiny of records in test checked ranges and data compiled by audit revealed that money value of outstanding audit paras increased from Rs 132.86 crore on 1st April 1998 to Rs 342.13 crore (158 *per cent*) on 31 March 2003 as per details given below :

Description	**Opening balance as of 1.4.1998**	**No. of audit notes issued during the period 1998-2003**	**No. of audit notes settled during the period 1998-2003**	**Closing balance as of 31.3.2003**
Audit notes	278	161	36	403
Paragraphs	1594	1726	1120	2200
Money value (Rs in crore)	132.86	358.27	149.00	342.13

The money value of audit objections raised through internal audit was Rs 115.36 crore during 2002-03 which was 12 *per cent* of the expenditure incurred.

The increase in number of outstanding audit notes/paras indicate poor pursuance of old outstanding objections by internal audit and also in-action on the part of the auditee units. The lack of monitoring system and non-arranging of meetings for pursuance of audit objections further aggravated the pendency of audit paras. The internal audit system failed to bring out substantial improvement in the department for which it had been introduced.

[34] Amritsar, Patiala and Ferozepur

Non-achievement of the purpose of Internal Audit

3.5.6. The objectives of setting up of Internal Audit System was to improve the overall quality of work and to detect errors and omissions before the statutory audit is conducted. During 1998-2003, internal audit conducted audit of 43 units out of 55 units after statutory audit had been conducted. Thus, the very purpose of setting up of internal audit has not been achieved.

3.5.7. While the internal audit pointed out the deficiencies to auditee units yet no remedial action was taken and the errors/omissions continued to re-occur year after year. Some instances of such deficiencies are as detailed below :

- Wrong fixation of pay.
- Expenditure incurred beyond the norms fixed by the Government in the maintenance of vehicles and on telephones.
- Splitting up of bills to avoid the necessary sanction from the competent authority.
- Purchases made from un-authorised dealers/agencies.
- Continuance of temporary posts where permanent posts do not exist.
- Excess expenditure incurred over the sanctioned budget.

The persistence of the above deficiencies thus forfeited the very purpose of the establishment of internal audit system.

Conclusion

3.5.8. The objectives of the establishment of Internal Audit System in Police Department largely remained unfulfilled as evidenced by backlog of audit, inordinate delay in issue of audit notes, increase in number of pending audit notes/paras and non-monitoring and repetition of irregularities. The response for compliance of audit objections was not effective. The audit is conducted in a routine manner and is not at all based on risk indicators based on risk analysis. Manual for the guidance of audit procedure had not been brought out and also no internal audit standards have been laid down. Training to the staff so as to make them more conversant with the Punjab Police Rules and other financial matters was not being imparted.

The matter was referred to Government in September 2003. Reply is awaited.

3.6. Sangat Darshan Disbursements

GENERAL ADMINISTRATION DEPARTMENT

Introductory

3.6.1. During the period June 2000 to December 2001, the then Chief Minister started visiting various places for meeting the general public by sending his scheduled programme in advance to the District Administration for holding meetings at a particular place. All the officers of the District Administration were required to be present at the venue. Funds were disbursed on the spot as per directions and in the presence of the Chief

Minister on demands by the beneficiaries/executing agencies or institutions. This whole exercise was named as "Sangat Darshan Programme".

Financial arrangements

3.6.2. No separate budget/funds were provided by the State Government for the programme. Money was mainly withdrawn from four Funds[35] operating in the State and seven[36] Schemes being implemented by the Deputy Commissioners (DCs). No funds were sanctioned/released by the Controlling Officers of these Funds/Schemes directly for disbursements during Sangat Darshan meetings and money withdrawn was irregularly disbursed without prior identification of purposes and without assessing the requirement of funds.

Rs 308.90 crore in 17 districts of the State were disbursed in an irregular manner during Sangat Darshan meetings from June 2000 to December 2001 by the Chief Minister :

(Rupees in lakh)

Sr. No.	Name of district	RDF	PIF	UDIF	CMFRF	EAS	Edu. Cess	Untied Fund	CD Sch.	MPLAD	Small Savings	JRY	Total
1.	Amritsar	3048.31	277.00	301.23			106.00			121.50			3854.04
2.	Bathinda	1005.35	440.37	115.00			12.00	24.30	4.25		1.00	18.50	1620.77
3.	Faridkot	351.85	127.08	105.91									584.84
4.	Fatehgarh Sahib	948.61	77.22	67.85									1093.68
5.	Ferozepur	1542.83	499.65	209.90									2252.38
6.	Gurdaspur	3051.00	377.50	295.00			121.00				6.50		3851.00
7.	Hoshiarpur	115.50*		20.00			53.40	53.15			27.45		269.50
8.	Jalandhar	1305.34	601.50	707.30		17.00	96.19				22..75		2750.08
9.	Kapurthala	856.91	345.25	70.58									1272.74
10.	Ludhiana	1077.31	458.05	670.45									2205.81
11.	Mansa	892.16			43.31		136.77						1072.24
12.	Moga	869.67	170.00										1039.67
13.	Muktsar	1514.71	276.27		867.90	369.90			84.98				3113.76
14.	Nawan Shahar	187.12	40.00			15.00		22.00	40.25				304.37
15.	Patiala	1594.80	720.63	475.00									2790.43
16.	Ropar	1529.00	155.00	130.00		4.10		30.49	12.50		0.95		1862.04
17.	Sangrur	778.72	55.00	119.00									952.72
	TOTAL	**20669.19**	**4620.52**	**3287.22**	**911.21**	**406.00**	**525.36**	**129.94**	**141.98**	**121.50**	**58.65**	**18.50**	**30890.07**

*** Includes Rupees two lakh of Cattle Fair Fund.**

Audit scrutiny of records in six test checked districts (Amritsar, Bathinda, Gurdaspur, Jalandhar, Muktsar and Sangrur) revealed that Rs 161.42 crore were disbursed in these districts; the points noticed are given in the succeeding paragraphs, source wise:

Unauthorised release of funds from Rural Development Fund during Sangat Darshan

3.6.3. Rural Development Fund (RDF) was constituted through Punjab Rural Development Act, 1987 (Act) by levying fee @ two *per cent* in respect of agriculture produce bought or sold in the notified market area,

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[35] 1. Rural Development Fund (RDF); 2. Punjab Infrastructure Fund (PIF); 3. Chief Minister Flood Relief Fund (CMFRF) and 4. Education Cess (EC).

[36] 1. Urban Infrastructure Development Fund (UIDF); 2. Employment Assurance Scheme (EAS); 3. Untied Funds (UF); 4. Community Development Schemes (CDS); 5. Member Parliament Local Area Development Scheme (MPLAD); 6. Jawahar Rozgar Yojana (JRY) and 7. Small Savings (SS) Scheme.

grants from the State Government and local authorities and loans raised by the Punjab Rural Development Board (Board).

All administrative and financial powers were entrusted to the Chief Minister by the Punjab Rural Development Board

For exercising powers conferred on and performing the functions and duties assigned under the Act, the Board was established with CM as Chairman and seven other members. The Board in its meeting (February 1996), however, entrusted all the administrative and financial powers to the Chief Minister as Chairman of the Board against the provisions of the Act.

Manifold disbursement of funds during Sangat Darshan meetings as compared to the period prior to its introduction

To enable the CM to disburse large funds during Sangat Darshan meetings, Rs 339.93 crore were withdrawn from RDF during 2000-01 (Rs 54.60 crore) and 2001-02 (Rs 285.33 crore) whereas Rs 5.58 crore and Rs 7 crore only were withdrawn during the preceding years 1998-2000 i.e. prior to implementation of Sangat Darshan Programme. Of Rs 339.93 crore, Rs 206.69 crore were disbursed during Sangat Darshan meetings. Thus, there was manifold increase in the drawals from RDF during 2000-02 as compared to withdrawals during 1998-2000.

On being pointed out (October 2002), the Secretary, Rural Development Board intimated (February 2003) that funds were released with the approval of Chief Minister, Punjab as Chairman of the Board and *ex-post facto* approvals of the Board were obtained in the meetings. The reply was not tenable as entrustment of powers to CM by the Board was not in conformity with the provisions of the Act. Further, the Act provided that RDF shall be administered by an officer appointed by the Board; however, no officer was appointed for administering the Fund.

Irregularity in release of funds and execution of works

Rs 5.07 crore disbursed to Societies, Sabha, Clubs, Institutions, Associations, etc.

3.6.4. In 1,604 cases, funds amounting to Rs 5.07 crore withdrawn from RDF were unauthorisedly disbursed by the DCs on the directions of CM to societies, sabha, clubs, institutions, associations, etc., which were not eligible to receive the funds out of RDF for execution of works.

3,420 works valued at Rs 26.39 crore remained incomplete due to non-formation of village level committees

3.6.5. Punjab Government instructions of June 2001 stipulated that village level committees would be formed by the concerned BDPOs under the chairmanship of Sarpanch for execution of developmental works. Such committees were, however, not constituted by the BDPOs for proper execution of works as a result of which 3,420 works of the value of Rs 26.39 crore for which funds were disbursed out of RDF were still in progress and were not completed even after lapse of more than a year.

Inadequate release of funds for drinking water supply in water scarcity villages

Preference not given to priority works for providing drinking water to scarcity villages

3.6.6. According to survey conducted in 2000, 1,296 villages of Amritsar, Gurdaspur and Jalandhar districts were declared as water scarcity villages. However, of the Rs 74.05 crore disbursed out of RDF for development of these districts during Sangat Darshan, a meagre amount of Rs 26.35 lakh only was disbursed for providing drinking water despite demands by the Gram Panchayats which showed that due importance was not accorded to basic needs of the people.

Disbursement from Punjab Infrastructure Fund during Sangat Darshan

Unauthorised and arbitrary release of funds

3.6.7. The Punjab Infrastructure Fund (PIF) was created (August 2001) exclusively for infrastructure oriented projects to be approved by the Committee headed by the Chief Minister pending formation of rules under Punjab Regional Town Planning and Development Act, 1995. Special consideration was to be given to works relating to places of historical, religious and cultural importance and places facing special problems and works were to be undertaken on the recommendation of DC.

Rs 20.28 crore disbursed out of Punjab Infrastructure Fund during Sangat Darshan meetings

The Committee, however, in its meeting (March 2001) unanimously authorised the CM to issue instructions to Punjab Urban Planning and Development Authority (PUDA) for utilisation of PIF. Thus, the powers which were to be exercised by the Committee, were vested with the CM in contravention of the Government notification of February 2001. Consequently, Rs 35.95 crore were unauthorisedly released in the test checked districts during 2000-02 for development works in urban areas by the CM as Chairman of the Committee. Of this, Rs 20.28 crore were disbursed during Sangat Darshan meetings for specified infrastructure oriented projects such as hospitals/dispensaries, college and library buildings, dharamshalas and community centres, street lighting, water supply, sewerage etc., without recommendation of DCs.

Release of funds to ineligible agencies

Rs 3.36 crore disbursed to non-Government organisations who were not authorised to execute the works

3.6.8. Funds were to be disbursed to Government agencies for execution of specified works with prior recommendation of the concerned DC. However, in 493 cases, funds amounting to Rs 3.36 crore were unauthorisedly drawn and disbursed by the drawing and disbursing officers on the directions of CM to non-Government organisations who were not authorised to execute the works.

While DC, Sangrur and Gurdaspur admitted (November and January 2002) that no proposal was sent for release of funds and procedure laid down could not be followed, no reply was furnished by other DCs. ADC, Jalandhar intimated that demand was compiled for release of funds with the approval of DC.

Rs 5.27 crore disbursed to executing agencies for the works not covered under guidelines of PIF

Disbursement of funds for unauthorised purposes

3.6.9. In 467 cases, Rs 5.27 crore were disbursed to various executing agencies for the works such as Hadda Roddi, repair and maintenance of parks, repair of dharmshalas, reconditioning of streets etc. which were not covered under the guidelines prescribed for the utilisation of amounts withdrawn from PIF.

Disbursement from Urban Infrastructure Development Fund during Sangat Darshan

Disbursement of funds to ineligible agencies and works not permitted

3.6.10. The orders issued (August 2001) by the Punjab Government, Department of Housing and Urban Development envisaged that Urban Infrastructure Development Fund (UIDF) shall be utilised for providing water supply, sewerage including storm water sewerage and other related urban infrastructure to the extent these are a fit charge under the appropriate municipal laws. No part of the fund was to be utilised for operation and maintenance purposes. These funds were to be released to Government agencies through DCs for execution of works.

Rs 3.24 crore out of UIDF were disbursed to non-Government organisations not authorised to execute the works

Audit scrutiny revealed that in 437 cases, Rs 3.24 crore were unauthorisedly drawn by the drawing and disbursing officers and disbursed during Sangat Darshan meetings to non-Government organisations which were not authorised to execute the works.

Besides, in 227 cases, Rs 1.54 crore were disbursed to various agencies for utilisation on the works relating to dharamshalas, gaushalas, repair of roads/ janjghars/dharamshalas, langar hall, etc. which were not appropriate charges as prescribed in the guidelines of the Fund.

Disbursement from Chief Minister's Flood Relief Fund during Sangat Darshan

Disbursement of funds for purposes other than the aims and objectives of fund

3.6.11. Rules framed for the transaction of business of Chief Minister's Flood Relief Fund (CMFRF) provided for release of financial and other assistance to the institutions/organisations and persons adversely affected by floods and other natural calamity including water logging.

Rs 3.94 crore disbursed in contravention of the rules

Audit scrutiny disclosed that out of Rs 8.68 crore disbursed in Muktsar district, funds amounting to Rs 3.94 crore were disbursed in 318 cases for dharamshala, shamshan ghat, sports infrastructure, streets and drains, Hadda Roddi, etc. in contravention of the rules of this Fund.

Disbursement of funds from the Employment Assurance Scheme during Sangat Darshan

Irregular drawal and disbursement of funds

3.6.12. Employment Assurance Scheme (EAS) provides that funds shall be released for execution of works by any Department, Corporation of the State Government and Panchayati Raj Institutions.

In 24 cases, funds amounting to Rs 7.60 lakh were drawn and disbursed by the drawing and disbursing officers to non-Government organisations which were not authorised to execute the works.

Disbursement of funds for unauthorised purposes

Rs 3.70 crore disbursed out of the funds relating to EAS without preparation of Annual Action Plans

3.6.13. The scheme provided for preparation of an Annual Action Plan in each district for undertaking various works and funds were not to be utilised for construction of big bridges, Government office buildings, panchayat office buildings, compound walls and repair of assets. In disregard of provisions of the scheme, Rs 3.70 crore out of EAS were disbursed without preparation of Annual Action Plans and without any recommendations of DCs for finalising the works to be executed. Of Rs 3.70 crore, Rs 1.51 crore were disbursed in 55 cases for the purposes not covered under the scheme.

Disbursement from Community Development Funds during Sangat Darshan

3.6.14. Funds under the scheme were required to be utilised for pavement of streets/ phernies, construction of drains, disposal of sullage water, and rural sanitation. However, in 36 cases, Rs 61.50 lakh were disbursed for utilisation on works relating to boundary wall, shamshan ghat, panchayat ghar, dharamshala, construction of school building, etc., in contravention of the guidelines of the scheme.

Other observations

Un-even distribution of funds and favour to a particular area

3.6.15. No criteria was laid down for disbursement of funds during Sangat Darshan Programme because Rs 4 lakh were disbursed per thousand population in Muktsar district against the disbursement ranging between Rs 0.47 lakh to Rs 1.83 lakh per thousand population in other test checked districts. Similarly, against disbursement of Rs 46.20 lakh to a village in Muktsar district, the maximum amount released to a village in other test checked districts ranged between Rs 13 lakh and Rs 26.45 lakh. This was indicative of un-equal distribution of funds and favour to a particular area.

3.6.16. Rs 95.41 crore were disbursed in four districts (Amritsar, Bathinda, Muktsar and Sangrur) without assessing the requirement of funds and availability of other infrastructure for carrying out the works. Failure to make proper assessment of funds required for completion of works, expenditure of Rs 39.25 lakh incurred on 48 works was rendered unfruitful as the works were lying incomplete for want of funds.

DCs, Sangrur and Amritsar admitted (November 2002 and January 2003) that no such requirement of funds in writing was obtained before disbursement of funds and these were disbursed on the spot during Sangat Darshan meetings in the presence of the CM. DCs Muktsar and Bathinda intimated (October 2002 and February 2003) that requirement of funds was obtained, however, no record was produced to Audit in support of this contention.

3.6.17. Rs 17.90 lakh (UIDF: Rs 7 lakh and PIF: Rs 10.90 lakh) were disbursed to 33 executing agencies (Government: 2, Non-Government: 31) in Bathinda district during July–November 2001 for execution of different types of works. On enquiry, ADC, Bathinda stated (February 2003) that no assets had been created through these funds and amounts were recoverable from the executing agencies. However, no action was initiated against the agencies for effecting recoveries.

Overlapping in the release of Rs 2.38 crore due to withdrawal of funds from different schemes for same beneficiaries

3.6.18. In 186 cases, amount aggregating Rs 2.38 crore was disbursed to the beneficiaries by withdrawing funds from RDF, EAS and CMFRF while the same beneficiaries were also covered by providing funds of Rs 1.39 crore out of MPLAD scheme and EAS for the same purpose.

Rs 4.17 crore not refunded despite instructions issued during March 2002

3.6.19. Punjab Government issued instructions in March/April 2002 that unspent funds including funds disbursed during Sangat Darshan meetings should not be utilised and refunded to Government forthwith. It was, however, noticed that 215 works for which funds amounting to Rs 1.73 crore were disbursed during Sangat Darshan meetings, were taken up by the executing agencies after March 2002. Besides, Rs 2.87 crore lying with DCs and Rs 1.30 crore lying unspent with the executing agencies have also not been refunded to Government/RDB/ PUDA so far (August 2003).

Rs 6.17 crore remained blocked due to non-commencement of works

3.6.20. Funds were disbursed without any survey and identification of beneficiaries and without assessing the requirements. Consequently, 731 works for which Rs 6.17 crore were released during the period 2000-02 were not started as of September 2002 to February 2003 resulting in blockade of funds.

3.6.21. Sanctions issued for the release of funds to the executing agencies provided for utilisation of funds within 60/90 days. Audit scrutiny disclosed that 1,875 works valuing Rs 18.51 crore were started/completed by various executing agencies with delay ranging between two and 24 months which indicated that no follow up action was taken by the authorities after disbursement of funds for monitoring their completion.

3.6.22. Between July 2000 and December 2001, Rs 2.44 crore (Muktsar: Rs 0.56 crore, Gurdaspur: Rs 1.14 crore and Bathinda: Rs 0.74 crore) were disbursed through account payee’s cheques although cash balance was not available in cash books which resulted in minus closing balances during various months. Though the balances were available subsequently, this proved that funds were disbursed hurriedly during Sangat Darshan meetings without ensuring availability of funds on the date of issue of cheques.

Utilisation certificates for 6,498 works valuing Rs 67.68 crore were awaited

3.6.23. Against 16,080 works valuing Rs 161.42 crore taken up in the test checked districts, utilisation certificates in respect of 6,498 works (40 *per cent*) valuing of Rs 67.68 crore were awaited from executing agencies. The DCs stated (October 2002–February 2003) that utilisation certificates would be obtained and shown to audit.

Conclusion

3.6.24. Use of the Sangat Darshan Programme as a mode for disbursement of funds was not only unauthorised, it was an act of excess as it vitiated the settled norms of public accountability by compromising the limits of procedural safeguards accompanying the drawal and disbursement procedure. Thus, funds were irregularly distributed without any guidelines. Further, money from various development funds was disbursed mainly for purposes not included under their respective Acts. Contrary to the Acts governing the funds in the RDF and PIF, all administrative and financial powers were entrusted to the Chief Minister. Funds were also released to such executing agencies who were not authorised to execute the works. Besides, a large number of works were either still in progress or were started/completed late. Evidently, public money was unauthorisedly drawn and disbursed without approval of norms/procedure by the Government.

The matter was referred to Government in April 2003. Reply is still awaited (August 2003).

3.7. Welfare of Handicapped

SOCIAL SECURITY AND WOMEN AND CHILD DEVELOPMENT DEPARTMENT

3.7.1. Welfare of Handicapped is a complex social issue involving coordination of curative, promotional and rehabilitational activities directed at different forms of handicap and a multitude of measures. Further, the definition of handicapped for the purpose of coverage is so widely dispersed over such a large area of disabilities that no single focus emerges automatically from the disparate efforts undertaken by different agencies entrusted with the delivery of programme objectives.

In the State of Punjab, however, the Department of Social Security and Women and Child Development has been identified as the administrative department for the welfare of handicapped. The "Persons with Disability (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995" (Act), which came into effect in October 1998, is the principal legislative instrument through which the State is seeking to provide the necessary services to the persons with disability and to fulfill specific obligations arising out of the Act. As the title of the Act itself makes it clear, provisions of equal opportunities, protection of rights and full participation are major concerns in the welfare of the handicapped. In order to address these areas of concern, the major activities carried out by the State include :

- Identification of persons with disability;
- Providing the institutional framework for management and rehabilitation of specific disabilities;
- Implementation of "National Programme for Rehabilitation of Persons with Disabilities" (NPRPD);
- Creating awareness in the public through mass media in order to change the attitude of the public at large towards disabilities and providing for preventive measures wherever required.

Despite the major disability being identified as loco-motor disability, there was neither a separate policy nor any specific programme for their rehabilitation

3.7.2. Punjab, however, has a special feature with regard to the nature of disabilities covered under this broad spectrum. Of the 2.49 lakh persons with disabilities, 1.45 lakh persons suffer from loco-motor disability. It is interesting to observe that this special feature does not constitute the special focus for attention by the State Government as it should have been. There is neither a separate policy that addresses this aspect of disability nor is there a specific programme for the rehabilitation of persons with loco-motor disability. The reason why this area has not been specifically addressed, is not apparent even though the survey conducted by the Department of Health in 1999-2000 had located the problem area through a categorisation of disability. A large number of persons with loco-motor disability are victims of thresher accidents. This being a serious problem arising in an agrarian society engaged in harvesting operations needed special care. But the system of special care was merely confined to providing financial assistance by the Punjab State Agricultural Marketing Board. The records of the Board showed that Rs 12.90 crore of financial assistance was provided in 7,063 cases during the period 1998-2003 to the victims of thresher accidents in the State. There was no scheme which took care of loss of limbs and providing to disabled an alternative means of occupation. There was no Social Security Safety Net which ensured the workers against damage or risk even though the agricultural operations in a large number of farms were being carried out through outmoded/unsafe mechanical operations. Similarly, the victims of industrial accidents got nothing more than compensation paid by the Labour Commissioner, Punjab. The records of Labour Commissioner showed that in 1,810 cases, Rs 13.42 crore was paid to the victims of industrial accidents during the period 1998-2002, while 635 cases were still awaiting settlement by January 2003. It is the absence of interface between industrial laws and the Disability Act which has denied the disabled their rights for full participation and the opportunities of being protected.

Except for providing financial assistance to the victims of thresher accidents, there was no scheme to take care of loss of limbs and providing alternative means of occupation

635 cases of victims of industrial accidents were awaiting settlement as of January 2003

There was no evidence of rehabilitation measures arising out of a direct consequence of accidents recognised by the industrial law for which the workers were being compensated. The procedure of compensation of victims of industrial accidents under industrial law is different from the procedure of coverage under the Disability Act.

3.7.3. A large bulk of disabled persons in the State were blind numbering 55,110 as per the survey but there was only one institute for the blind at Ludhiana during the period 1998-2003. Surprisingly, the institute for blind at Ludhiana, despite the fact that it was the only institute in the State, did not even run to its full capacity. It had the limited capacity of taking on its rolls only 65 persons against which 49 to 59 persons remained on its rolls during the period 1998-2003. The institute spent Rs 98 lakh in maintaining itself while Rs 16 lakh were spent for the inmates during the last five years. This works out to Rs 5,800 per capita per year taking the mean enrollment of 55 persons.

The only Institute for blind at Ludhiana did not run to its full capacity

The number of mentally retarded persons in the State were estimated by the survey at 23,543. Here too, there was only one Government institute for mentally retarded children established at Kapurthala. The picture here is more grim than the institute for the blind at Ludhiana. The Kapurthala institute for mentally retarded children has a capacity of merely 50 inmates against which only 12 to 18 remained on the rolls during the period 1998-2003. The institute spent around Rs 61 lakh on its own maintenance during last five years and barely spent Rs 7 lakh during last five years on activities directly contributing to the alleviation of the conditions of the mentally retarded children. This

In the Kapurthala institute for mentally retarded, against the capacity of 50 inmates, only 12 to 18 remained on rolls during 1998-2003

works out to Rs 9,300 per capita per annum by taking the mean enrollment of 15 persons.

Rehabilitation measures undertaken by the State were poor, ineffective and wholly unsubstantial. This became evident from an examination of working of two main institutes in the State entrusted with the responsibility of providing rehabilitation measures. The Government workshop for the welfare of the handicapped established at Ludhiana in 1979 had barely 10 to 12 candidates on its rolls during the period 1998-2003 against its capacity of 50 candidates. The department attributed poor enrollment to lack of publicity, non availability of hostel accommodation and most interestingly the trades being very old and not viable for providing economic occupation. The trades in which the institute provided training are Hosiery and Weaving. Evidently, Hosiery and Weaving were identified in 1979 as viable occupations in Ludhiana considering pre-ponderance of the occupation in the area. With increasing sophistication in trades, the impact of rudimentary manual training in the training institute required a review which was not carried out. Despite the fact that the State Government recognised the trades as being non-viable, no action apparently has been taken to either upgrade the technology of the institution or introduce viable trades in the curriculum of the institute. While the institute is providing for barely one fourth of its capacity, the establishment of the institute remains at its full compliment and the bulk of the expenditure of Rs 64 lakh during 1998-2003 has gone into sustaining the establishment.

Hosiery and Weaving trades for which training is given have become non viable for providing economic occupation

The other institute namely 'Vocational Rehabilitation Centre for Handicapped Women' established in 1994 is virtually a non starter. During the period 1998-2003, barely four to 12 students were on the rolls for tailoring and stenography. No instructor for stenography was ever sanctioned. The department while admitting this conceded that the post of trained teacher itself was never sanctioned by the State Government.

The State Government sanctioned no post of trained teacher for imparting training in stenography

Thus, in terms of institutional framework, the Government provided very little either for the alleviation of the condition of the disabled or their rehabilitation. The four institutions taken together had barely 100 disabled persons receiving any form of rehabilitation benefits in institutional terms while for more than one lakh, there was hardly any institutional programme.

This, infact, provides the backdrop as well as explanation as to why the implementation of the National Programme for Rehabilitation of Persons with Disability (NPRPD) was doomed to failure in the State. Audit findings on the implementation of National Programme for Rehabilitation of Persons with Disability is detailed in the succeeding paragraphs :

Loss of Rs 24 lakh due to keeping funds in a current account in a bank outside Government Account

3.7.4. Of Rs 2.57 crore received from the Government of India during 1999-2002, Rs 1.49 crore were disbursed to the Red Cross Societies, Ropar (Rs 87 lakh) and Sangrur (Rs 62 lakh) through Deputy Commissioners during 2000-03 and the balance amount of Rs 1.08 crore was still lying unutilised in a bank outside Government account resulting in loss of interest of Rs 24 lakh (calculated at the borrowing rate of the State Government) apart from undue

Funds released by GOI were not fully utilised

financial aid to the bank. Of Rs 1.49 crore released to both the Societies, Rs 35 lakh were lying unspent with Red Cross Society (Ropar: Rs 14 lakh and Sangrur: Rs 21 lakh). Non-release of funds received from GOI indicates State Government's casual approach in implementing Centrally sponsored scheme.

In Punjab, two districts namely Ropar and Sangrur were selected for implementation of this scheme. Community Based Rehabilitation Workers (CBRWs)/Multipurpose Rehabilitation Workers (MRWs) were required to be engaged at village/block level. After training, CBRWs were to undertake screening of at-risk cases of children, both pre-natal and post-natal and expectant mothers to avoid the occurrence of disability, to provide counseling and advice so as to check increase in the extent of the disability or a minor impairment turning into a major disability and to provide referral to higher levels for availing services.

MRWs were to provide simple rehabilitation services like heat therapy, physio therapy, simple repair of assistive devices and were to act as powerful catalysts for referral of persons with disabilities to appropriate educational institutions, to health services and to vocational training institutions.

Termination of services of CBRWs/MRWs as their achievement was poor

The services of CBRWs were dispensed with from 30 June 2002 (Ropar) and from 1st May 2002 (Sangrur) and that of MRWs from 15 October 2002 (Sangrur) because their overall achievement was not found satisfactory.

3.7.5. Government of India, Ministry of Social Justice and Empowerment launched (January 1997) National Handicap Finance and Development Corporation (NHFDC) for extending loans to handicapped persons with a disability of 40 *per cent* or above to promote self-employment. Initially, the Director was nominated as State Chanelising Agency (SCA). In July 2001, Punjab Financial Corporation (PFC) was declared as SCA but they had shown their inability to execute the scheme. Since then there is no SCA in the State.

Due to non-implementation of NHFDC scheme in the State, disabled persons were deprived of its benefits

Under the scheme, sixteen cases were sanctioned during 1999-2000 for Rs 8.79 lakh but Rs 3.52 lakh only was disbursed in six cases and balance amount of Rs 5.27 lakh was refunded to NHFDC. Thereafter, neither funds were received nor SCA was nominated. Thus, the handicapped persons of the State were deprived of the benefits of the Centrally Sponsored Scheme of NHFDC after 1999-2000.

3.7.6. In 1999, Government of India, Ministry of Social Justice and Empowerment sanctioned a Regional Spinal Injuries Centre (Centre) for Punjab. The State Government decided to set-up this Centre at Mohali. Five acre land was allotted (May 2000) by Punjab Urban Planning and Development Authority (PUDA) at an annual lease hold fee of Rs 1.45 lakh and payment of Rs 4.35 lakh was made for three years upto March 2003. The construction of the building was entrusted (March 2001) to Punjab Small Industries and Export Corporation, Chandigarh (PSIEC) for completion within nine months. Rough cost estimate for Rs 3.22 crore submitted by PSIEC in March 2002 has not been approved so far.

Blockade of Rs 1.56 crore due to non-completion of the building for spinal injuries centre

Government of India released Rs 1.66 crore (Rs 0.50 crore: 2000-01 and Rs 1.16 crore: 2001-02) for this purpose. Out of this, Rs 1.56 crore were disbursed to PSIEC (Rs 1.42 crore) for the construction of building and to PUDA (Rs 0.14 crore) for construction of boundary wall upto March 2002. After completing the structural work upto ground floor only, the work was stopped in May 2002 due to paucity of funds. The balance amount of Rs 0.10 crore was utilised by the department on purchase of Ambulance Van and payment to workers which were not covered in the estimate. Despite several requests to Government of India, additional funds have not been received (August 2003).

Thus, due to non release of funds by Government of India, Rs 1.56 crore incurred on the construction of a building which is yet to be completed has been rendered unfruitful.

Out of Rs 14.79 crore earmarked for spending, Rs 13.88 crore were accounted for as expenditure by the department but barely Rs 5.83 crore found their way in the final accounting process

3.7.7. Audit scrutiny of the reasons for the failure of the welfare programme for handicapped in the State apart from failure for policy initiatives showed that the process of implementation was badly hit by poor administration of resources and total lack of monitoring. While around Rs 15 crore earmarked for spending during the period 1998-2003, Rs 14 crore were accounted for as expenditure by the department but barely Rs 6 crore of that found their way in the final accounting process. The table below provides the details of funds released, spent and accounted for :

(Rupees in crore)

Year	Funds released			Expenditure			Expenditure as per A.G.(A&E), Punjab		
	Non Plan	Plan	Total	Non Plan	Plan	Total	Non Plan	Plan	Total
1998-99	2.34	0.21	2.55	2.26	0.20	2.46	1.44	0.01	1.45
1999-2k	2.31	0.26	2.57	2.28	0.15	2.43	1.52	-	1.52
2000-01	2.42	0.27	2.69	2.38	0.25	2.63	1.26	-	1.26
2001-02	3.45	0.27	3.72	3.32	0.20	3.52	0.72	0.01	0.73
2002-03	4.27	0.01	4.28	3.64	0.01	3.65	0.87	-	0.87
Total	**14.79**	**1.02**	**15.81**	**13.88**	**0.81**	**14.69**	**5.81**	**0.02**	**5.83**

Reconciliation of expenditure not done thereby compounding the risk of misutilisation

While non reconciliation of accounts is the obvious answer, the problem assumes critical importance because of the risk that a large number of vouchers as evidence of expenditure might not have entered the final accounting process thereby compounding the risk of misutilisation.

The more important aspect of accounting the funds relates to funds released to NGOs. Six to 13 NGOs have received more than three crore rupees from GOI directly and 13 to 16 NGOs have received more than 30 lakh rupees from the State Government. In both the cases, funds have been almost entirely utilised by the NGOs leaving aside Rs 14.57 lakh relating to central funds. The manner in which the utilisation was verified is not on record nor is there any evidence of outcome of the money channeled through NGOs for the welfare of handicapped.

There was shortfall in conducting meetings of State Co-ordination Committee and State Executive Committee

3.7.8. As per Section 17 and 21 of the Disability Act, the State Co-ordination Committee and State Executive Committee were visualised as the two apex bodies for monitoring the progress of welfare of handicapped. During the period 1998-2003, the State Co-ordination Committee met only thrice against the requirement of meeting atleast 10 times and State Executive Committee met on eight occasions instead of meeting on atleast 20 occasions as required by the Act.

The more important part of the problem was that there was no evidence to suggest the nature of the deliberations of these two apex bodies. There was neither any corrections to the programme carried out at the instance of these monitoring bodies nor were there any programmatic interventions.

Neither screening of all children atleast once a year was done nor there was any programme for educating the masses

3.7.9. One of the broad objectives of the Act, was to screen all children atleast once a year, which was not being done. There was hardly any programme for educating the masses for the change of attitude towards disabilities through State initiative. Welfare of handicapped rested almost entirely on the implementation of the NPRPD which itself suffered from serious flaws in implementation and lack of objective focus.

The matter was referred to Government in April 2003. Reply is awaited (August 2003).