# OVERVIEW

This Audit Report contains six Reviews and 25 paragraphs on transactions audit apart from comments on the Finance and Appropriation Accounts. As per existing arrangement, copies of draft Audit Paragraphs and draft Audit Reviews are sent to the concerned Secretary to the State Government by the Principal Accountant General demi-officially with a request to furnish replies within six weeks. Despite such efforts, out of 25 Audit Paragraphs and six Reviews, no response was received from the concerned Secretary of the State Government in respect of six Reviews and 20 paragraphs. The matter was also brought to the notice of Chief Secretary by the Principal Accountant General; reply is still awaited.

## I. Finances of the State Government

- Revenue receipts of the Government increased from Rs 7,468 crore in 1999-2000 to Rs 12,139 crore in 2003-04.
- Total expenditure increased from Rs 10,771 crore in 1999-2000 to Rs 17,124 crore in 2003-04.
- Share of Economic Services in total expenditure declined from 25 *per cent* in 2000-01 to 21 *per cent* in 2003-04 and that of Social Services from 26 *per cent* in 1999-2000 to 20 *per cent* in 2003-04. The relative share of General Services increased from 49 *per cent* in 2000-01 to 55 *per cent* of total expenditure in 2003-04.
- Salaries alone took away nearly 57 *per cent* of the revenue receipts of the Government (excluding notional receipts from state lotteries and interest receipts from PSEB) during the year.
- Pension payments took away as much as 11 *per cent* of the revenue receipts of the Government as it increased by 20 *per cent* from Rs 1,160 crore in 1999-2000 to Rs 1,389 crore in 2003-04.
- Interest payments increased steadily by 41 *per cent* from Rs 2,637 crore in 1999-2000 to Rs 3,712 crore in 2003-04 primarily due to continued reliance on borrowings for financing the fiscal deficit.
- Plan expenditure declined from 13 *per cent* of total expenditure in 1999-2000 to eight *per cent* in 2003-04.
- The revenue deficit increased from Rs 2,727 crore in 1999-2000 to Rs 3,563 crore in 2003-04. The fiscal deficit, which represents the total borrowings of the Government and its total resource gap, increased from Rs 3,194 crore in 1999-2000 to Rs 4,880 crore in 2003-04.
- Ratio of revenue deficit to fiscal deficit increased from 60 *per cent* in 2000-01 to 73 *per cent* in 2003-04 indicating further deterioration in the financial health of the State.
- While the liabilities grew by 13 *per cent*, the assets grew by seven *per cent* during 2003-04. Fiscal liabilities of the State increased from Rs 24,804 crore in 1999-2000 to Rs 43,197 crore in 2003-04.

- Amount of outstanding guarantees increased from Rs 9,951 crore in 1999-2000 to Rs 12,242 crore in 2003-04 and amounted to 101 *per cent* of the revenue receipts (Rs 12,139 crore) of the State Government.
- Eighteen out of 33 Statutory Corporations and Government Companies with an aggregate investment of Rs 3,263.09 crore were running at a loss and the accumulated losses were Rs 1,922.27 crore.
- Outstanding balances of loans and advances increased by Rs 652 crore from Rs 5,386 crore in 2002-03 to Rs 6,038 crore in 2003-04 included loan of Rs 4,572.63 crore (76 *per cent*) advanced to Punjab State Electricity Board.

(Paragraphs 1.1 to 1.15)

## II. Allocative Priorities and Appropriation

- During 2003-04, expenditure of Rs 25,180.17 crore was incurred against the total grants and appropriations of Rs 31,453.18 crore resulting in a saving of Rs 6,273.01 crore.
- Excess over grants of Rs 1,242.93 crore pertaining to the years 2000-03 required regularisation by the Legislature under Article 205 of the Constitution.
- Supplementary provisions of Rs 730.72 crore in 18 cases of grants and appropriations proved unnecessary.
- Significant excess expenditure was persistent in six cases involving two grants (Grant No. 15-Irrigation and Power and Grant No. 21-Public Works).
- Injudicious re-appropriation of funds resulted in saving of more than Rupees one crore each in 26 cases.

(Paragraphs 2.1 to 2.8)

## III. Performance Reviews

### 1. National Bank for Agriculture and Rural Development assisted development projects

With a view to provide better and improved communication facilities in the rural areas, the Department with the assistance of National Bank for Agriculture and Rural Development (NABARD), constructed interconnecting roads and bridges and also widened and strengthened the existing roads in the State. The works were executed by PWD (B&R) Branch of the State Government. A review in audit revealed that non-release of funds by the Government which had been received from NABARD, preparation of defective estimates and improper planning, not only delayed the completion of the works but the department also had to pay extra/avoidable escalation charges and suffer revenue loss.

- Of loan assistance of Rs 223.77 crore given by NABARD, funds of Rs 56.59 crore were not released by Finance Department resulting in delay in completion of works besides creation of a liability of Rs 25.51 crore.

- The State Government did not release its share of Rs 14.52 crore which resulted in delay in completion of works.

- Incorrect fixation of schedule of payment due to non-preparation of detailed estimates in time resulted in advance payment of Rs 9.70 crore rendering undue financial aid to contractors.

- Non-construction of Toll Plaza required as per project reports resulted in non-collection of toll tax of Rs 1.41 crore.

- Re-strengthening of a road prematurely resulted in wasteful expenditure of Rs 2.26 crore.

(Paragraph 3.1)

**2. Pradhan Mantri Gram Sadak Yojana**

The Pradhan Mantri Gram Sadak Yojana (PMGSY), a 100 *per cent* centrally sponsored scheme, was launched in December 2000 with a view to providing connectivity by way of an all weather road (operatable throughout the year) to the unconnected habitations. This was expected to provide services (educational, health, marketing facilities etc.) which were not earlier available. The review conducted on the scheme revealed several deficiencies such as already connected habitations were again connected, habitations with population below 500 persons or situated within a distance of 500 metres of connected habitations were connected contrary to provisions of schemes and projects were not prepared according to guidelines as a result of which, 39 works had to be partially or completely abandoned due to non-availability of required land.

- Funds of Rs 40.11 crore were lying unspent as on March 2004 whereas 252 villages were still awaiting connectivity.

- Construction of 25 roads (55.59 Kms) was abandoned due to non-availability of adequate land width which resulted in ungainful expenditure of Rs 7.66 crore.

- Thirty one roads (40.49 Kms) were constructed at a cost of Rs 5.38 crore to link habitations with population below 500 persons.

- Thirteen link roads (37.10 Kms) were constructed at a cost of Rs 4.21 crore in two districts to connect habitations which had already been connected.

- Eight roads (10.84 Kms) costing Rs 1.36 crore were constructed which did not form part of the Core Network.
- Nine roads (9.22 Kms) were constructed with State funds though these projects were approved for Rs 1.32 crore depriving the State Government of funds to that extent.

(Paragraph 3.2)

**3. Implementation of Child Labour (Prohibition and Regulation) Act, 1986**

The Child Labour (Prohibition and Regulation) Act, 1986 (Act) is a Central Act, which was notified for application in Punjab in 1997. This Act alongwith the other associated Acts and the Rules framed thereunder intends to regulate and ban in prohibited activities the employment of children below 14 years in specified occupations and processes; lay down a procedure to decide modification to the Schedule of banned occupations or processes and regulate the conditions of work of children in employment where they are not prohibited from working. In Punjab, the implementation of the Act was inadequate. A number of establishments employing child labour remained unmonitored. Child Labour Rehabilitation-cum-Welfare Fund could not be raised. Special schools for the education of child labour did not fulfil the prescribed criteria to be eligible for funding under the National Child Labour Project.

- The Act was notified by the State Government in January 1997 after a delay of about nine years.
- Funds provided for survey were either not fully utilised or spent on irregular purchases.
- Except for opening of 107 special schools under three National Child Labour Projects, other strategical steps suggested in the National Policy on Child Labour were not implemented.
- Due to non-recovery from employers, ‘Child Labour Rehabilitation-cum-Welfare Fund’ to the tune of Rs 10.87 crore in 4,348 cases could not be raised and no member of affected family was provided employment.

(Paragraph 3.3)

**4. Indian Systems of Medicine and Homoeopathy**

In Punjab, the Indian Systems of Medicine and Homoeopathy (ISM&H) could not be made effective as the major percentage of expenditure was on salaries and negligible expenditure was incurred on medicines. Although sufficient infrastructure had been created in Government Ayurvedic Pharmacy, Patiala for manufacturing of Ayurvedic drugs yet only negligible expenditure was incurred on purchase of raw herbs to be used for preparation of Ayurvedic drugs with the result no medicine could be provided to the hospitals/dispensaries and there were no indoor patients in 10-bedded Ayurvedic Hospital, Ludhiana and seven Ayurvedic Swasth Kendras.

- More than 98 *per cent* expenditure was incurred on salaries and negligible expenditure was incurred on medicines etc.

- Rupees 1.91 crore for Ayurveda released by Government of India were either not released by State Government or released at the end of the year.

- Ungainful expenditure of Rs 36.98 lakh was incurred on purchase of machinery not installed.

- As no indoor patients were admitted, unfruitful expenditure of Rs 1.19 crore was incurred on account of pay and allowances of idle staff.

- No response to the proposal to surrender 32 posts which could have saved Rs 40 lakh per year sent to DRME in November 1999, has been received.

(Paragraph 3.4)

**5. Release and recovery of incentives and other dues from industrial units and others**

The Industries and Commerce Department of Punjab had extended packages of incentives to different industries in the form of Interest Free Loans, Sales Tax exemption/ deferment etc. Despite giving many incentives, the average growth rate of new industries that were set up was on the decline. Large amounts of Interest Free Loans (IFLs) were outstanding and sanction of Sales Tax exemptions were also granted to inadmissible units. Statutory dues towards royalty from contract mining and Brick Kiln Owners were outstanding for recovery.

- Though the unit had gone sick and a liability of Rs.9.61 crore against fixed assets was outstanding against the firm, the firm was granted IFL resulting in non-recovery of Rs.98.54 lakh.

- Irregular Sales Tax Exemption of Rs 7.41 crore and Rs 3.15 crore was allowed to one unit each of Ropar and Ludhiana although the units had not even purchased land upto the stipulated date.

- Excess Sales Tax exemption of Rs. 4.59 crore allowed on freight and installation charges of Rs 1.53 crore paid on purchase of indigenous machinery.

- Recovery of Rs 2.22 crore of IFL granted to six spinning mills remained doubtful as all these mills were under liquidation.

- Rupees 15.55 crore remained unrecovered from 46 closed units despite these cases being referred to the revenue authorities for effecting recovery as arrears of land revenue.

(Paragraph 3.5)

## IV. Transaction Audit Paragraphs

**Extra avoidable expenditure**

- Failure of the department to preserve the affidavits of land owners which could have proved that the land was given free of cost by the land owners resulted in avoidable payment of Rs 1.03 crore
(Paragraph 4.1.1)

- Failure of Punjab Urban Planning and Development Authority to assess the actual requirement of loan to be raised from Housing and Urban Development Corporation Limited (HUDCO) resulted in extra payment of front end fee of Rs 20 lakh
(Paragraph 4.1.4)

**Embezzlement of Government money**

- Drawing and Disbursing Officer of a Primary Health Centre himself fraudulently withdrew Rs 1.08 crore from treasury on fictitious bills of which Rs 95.28 lakh was yet to be recovered.
(Paragraph 4.4.2)

- Non-adherence of financial rules by the Drawing and Disbursing Officer and Treasury Officer facilitated fraudulent drawls and embezzlement of Government money amounting to Rs 29.07 lakh.
(Paragraph 4.4.1)

**Idle investment/ Ungainful expenditure**

- Non-release of funds by Punjab State Bus Stand Management Company Limited (PUNBUS) resulted in abandonment of work of the Bus Stand at Jagraon rendering the expenditure of Rs 2.41 crore as ungainful.
(Paragraph 4.2.1)

- Failure of Punjab Urban Planning and Development Authority to assess the viability of a rehabilitation scheme resulted in largely unproductive expenditure of Rs 1.57 crore.
(Paragraph 4.2.4)

- Payment of secured advance of Rs 76.80 lakh to a firm on account of supply of Diesel Generating sets when only 15 *per cent* work was completed coupled with non-installation/ commissioning due to non-acquisition of land for sub station at Khalsa Heritage Memorial Complex, Anandpur Sahib, resulted in blockade of funds.
(Paragraph 4.2.7)

- Failure of Director of Land Records, Punjab to complete the work of computerisation of land records despite availability of funds resulted not only in unproductive expenditure of Rs 52.34 lakh but also blockade of funds of Rs 1.35 crore.
(Paragraph 4.2.9)

- Rupees two crore placed at the disposal of Punjab Police Housing Corporation in October 2001 in respect of works for which land was yet to be acquired resulted in blockade of funds.

(Paragraph 4.2.11)

**Irregular/ excess expenditure/ payments**

- Non-implementation of Government instructions in regard to payment of perks and allowances at the rates admissible to Government employees resulted in excess payment of Rs 5.14 crore to the employees of Punjab Urban Planning and Development Authority.

(Paragraph 4.5.1)

- Construction of two bridges without administrative approval, technical sanction and allotment of funds was not only irregular but the expenditure of Rs 88.48 lakh incurred was also rendered ungainful for want of approaches.

(Paragraph 4.5.2)

- Failure of the State Government to determine the planning charges to be recovered from Punjab Urban Planning and Development Authority resulted in non-realisation of Rs 86.95 crore.

(Paragraph 4.3.1)

## V. Internal Control and Internal Audit System

### 1. Evaluation of internal control and internal audit system in the Public Works Department (Public Health Branch)

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

- Budget estimates for 2001-02 to 2003-04 were prepared without taking into account actual requirements, as demands were 26 *per cent* to 67 *per cent* higher than actual expenditure incurred.

- The CE/SEs as Controlling Officers did not maintain Control Registers for annual plan outlay and expenditure incurred thereagainst.

- No records i.e. Budget Control Register with regard to allocation of LOC was maintained, in the absence of which, it could not be ascertained in audit as to how the CE assured himself that the LOC was released in correct proportion.

- In 11 divisions, 209 works valuing Rs 51.12 crore were executed upto March 2004 without sanction of estimates.

- In five divisions, contractor's ledgers were not maintained for the period from April 2001 onwards.

- Seven divisions did not adjust the storage charges and at the end of March 2004 credit balance (profit) of Rs 74.93 lakh (three divisions) and debit balance (loss) of Rs 1.17 crore (four divisions) had accumulated.

(Paragraph 5.1)