

# Chapter 1

## Introduction

### 1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from compliance audit of transactions of Government departments and autonomous bodies and performance audit of selected programmes and activities.

Compliance audit refers to examination of the transactions relating to expenditure, receipts, assets and liabilities of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with. Performance audit examines the extent to which the objectives of an organization, programme or scheme have been achieved economically, efficiently and effectively.

The primary purpose of the Report is to bring to the notice of the State Legislature, the important results of audit. Auditing standards require that the materiality level for reporting should commensurate with the nature, volume and magnitude of transactions. The audit findings are expected to enable the executive to take corrective measures as also to frame policies and directives that will lead to improved financial management of the organisations, thus contributing to better governance.

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant deficiencies and achievements in implementation of selected schemes, significant audit observations made during the audit of transactions and follow-up on previous Audit Reports. Chapter-2 of this Report contains findings arising out of performance audit of selected programmes/activities/departments. Chapter-3 contains observations on audit of transactions in Government departments and autonomous bodies. Chapter-4 contains observations regarding chief controlling officer based audit.

### 1.2 Organisational structure of the office of the Principal Accountant General (Audit), Punjab and Union Territory, Chandigarh

Under the directions of the C&AG, the office of the Principal Accountant General (Audit), Punjab and Union Territory, Chandigarh conducts audit of departments of the Government of Punjab (GoP) and autonomous bodies

under them. There are seven<sup>1</sup> wings in the office, out of which six wings deal with audit and one deals with administration of the office. The audit of civil and works departments and autonomous bodies in the State is conducted by three wings namely Inspection Civil-I, Inspection Civil-II and Works.

This Report contains the audit observations arising out of audit of the various civil departments including the Public Works departments and autonomous bodies. The Report containing the observations arising out of audit of statutory corporations, boards and government companies and the Report containing observations on revenue receipts of the State are presented separately. Similarly, a separate Report on State Finances is also presented.

### 1.3 Profile of audited entities

There are 44 departments in the State, at the Secretariat level headed by Financial Commissioners/Principal Secretaries/Secretaries, who are assisted by Deputy Secretaries, Directors and subordinate officers. There are 33 autonomous bodies which are also audited by the office of the Principal Accountant General (Audit), Punjab.

The comparative position of expenditure incurred by the Government during the year 2010-11 and in the preceding two years is given in **Table 1.1**.

**Table 1.1: Comparative position of expenditure**

(₹ in crore)

Disbursement	2008-09			2009-10			2010-11		
	Non-Plan	Plan	Total	Non-Plan	Plan	Total	Non-Plan	Plan	Total
<b>Revenue Expenditure</b>									
General Services	14027.72	4.41	14032.13	15518.88	6.40	15525.28	18536.78	60.95	18597.73
Social Services	4427.75	1054.93	5482.68	5178.93	1038.20	6217.13	5687.78	1573.07	7260.85
Economic Services	4381.39	363.10	4744.49	4838.76	379.86	5218.62	5712.24	686.70	6398.94
Grants-in-aid and Contributions	309.69	0.00	309.69	446.91	0.00	446.91	639.66	0.00	639.66
<b>Total</b>	<b>23146.55</b>	<b>1422.44</b>	<b>24568.99</b>	<b>25983.48</b>	<b>1424.46</b>	<b>27407.94</b>	<b>30576.46</b>	<b>2320.72</b>	<b>32897.18</b>
<b>Capital Expenditure</b>									
Capital Outlay	255.25	2602.68	2857.93	186.51	1979.90	2166.41	218.06	2166.03	2384.09
Loans and Advances Disbursed	48.83	6.24	55.07	28.84	0.00	28.84	68.40	0.00	68.40
Repayment of Public Debt (including Ways and Means Advances)	2288.52	0.00	2288.52	5308.36	0.00	5308.36	5952.88	0.00	5952.88
Contingency Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Public Account Disbursements	22590.85	0.00	22590.85	20721.04	0.00	20721.04	25836.98	0.00	25836.98
<b>Total</b>	<b>25183.45</b>	<b>2608.92</b>	<b>27792.37</b>	<b>26244.75</b>	<b>1979.90</b>	<b>28224.65</b>	<b>32076.32</b>	<b>2166.03</b>	<b>34242.35</b>
<b>Grand Total</b>	<b>48330.00</b>	<b>4031.36</b>	<b>52361.36</b>	<b>52228.23</b>	<b>3404.36</b>	<b>55632.59</b>	<b>62652.78</b>	<b>4486.75</b>	<b>67139.53</b>

*Source: Finance Accounts*

<sup>1</sup> (1) Inspection Civil-I (2) Inspection Civil-II (3) Works (4) Commercial (5) State Receipts (6) Central Revenue and (7) Administration.

## **1.4 Authority for audit**

The authority for audit by the C&AG is derived from Articles 149 and 151 of the Constitution of India and the C&AG's (Duties, Powers and Conditions of Service) Act, 1971. The Principal Accountant General (Audit), Punjab conducted audit of expenditure of civil and works departments and autonomous bodies of the GoP under Sections 13, 14, 15, 17, 19(2) and 20 and audit of receipts of the State under section 16 of the C&AG's (DPC) Act. The principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts, 2007 and the manuals issued by the C&AG.

## **1.5 Planning and conduct of audit**

The Audit process starts with the risk assessment of various departments, autonomous bodies, schemes/projects etc. based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided and an Annual Audit Plan is formulated to conduct audit. The audit plan covers those offices/entities which are vulnerable to significant risks as per our assessment.

After completion of audit of each office, Inspection Reports (IRs) containing audit findings are issued to the heads of the offices. The offices audited are requested to furnish replies to the audit findings within one month of receipt of the IR. Whenever replies are received, audit findings are either settled, if the replies are found satisfactory or further action for compliance is advised. The important audit observations pointed out in these IRs are processed for inclusion in the Reports of the C&AG of India, which are submitted to the Governor of Punjab under Article 151 of the Constitution of India.

During 2010-11, the Civil Audit wings conducted compliance audit in 1345 offices, Performance Audit of Functioning of the Medical Colleges and Hospitals under Director, Research and Medical Education and Chief Controlling Officer based Audit of Animal Husbandry Department.

## **1.6 Significant audit observations**

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities as well as on the quality of internal controls in selected departments, which impact on the success of programmes and functioning of the departments. The focus was on auditing the specific programmes/schemes and to offer suitable recommendations, with the intention to provide an aid to the executives in taking corrective action and improving service delivery to the citizens.

### **1.6.1 Performance Audit**

Performance audits of programmes/activities/departments were undertaken to ensure whether the desired objectives of the Government programmes have been achieved in a cost effective manner.

The present Report contains one performance audit. Significant audit observations are given below:

#### **Functioning of the medical colleges and hospitals under Director, Research and Medical Education**

*The planning for medical education, research and specialized health care, including infrastructure and human resource development was not judicious and effective as there was acute shortage of medical professionals (36 per cent) in both the Government Medical Colleges. Neither the seats for graduate and post graduate courses were adequate nor were the super-speciality courses being offered. Despite being premier tertiary care hospitals of the State, no trauma care centre exists in any of the Government Medical Colleges and the trauma patients have to seek treatment at distant places. Adequate emphasis on research and training was lacking. Equipment costing ₹ 3.92 crore, required for specialised health care, were lying unutilised for want of required infrastructure, accessories and qualified staff. Further, the mammography unit at Rajindra Hospital, Patiala could not be procured for the last 11 years. Similarly, Cobalt therapy unit in SGTB Hospital, Amritsar could not be utilised despite installation. Bio-medical waste management was improper and unsafe. Ambulance services to be provided to cater to emergencies were found to be extremely deficient as these were not fitted with the mandatory emergency kits.*

*(Chapter 2)*

### **1.6.2 Compliance Audit**

Audit has also observed significant deficiencies in critical areas, which impact on effective functioning of the Government departments/organizations adversely. These are broadly categorised and grouped as under:

- Non-compliance with rules and regulations.
- Failure of oversight/governance.
- Persistent and pervasive irregularities.

#### **Non-compliance with rules and regulations**

For sound financial management, it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authorities. This helps in maintaining financial discipline and prevents irregularities, misappropriation and frauds. This Report contains instances of non-compliance with rules and regulations as follows:

***Health and Family Welfare Department***

*Failure to raise the final claims for reimbursement of expenditure for the period 2006-10 resulted in non realization of ₹39.89 crore from the Employees State Insurance Corporation.*

***(Paragraph 3.1.1)***

***Home Affairs and Justice Department***

*Deployment of police forces without any demand, receiving the charges in advance and entering into any agreement with the beneficiary States and ineffective follow up to recover the charges led to non recovery of ₹39.71 crore.*

***(Paragraph 3.1.2)***

***Housing and Urban Development Department***

*Delayed declaration of awards for land acquisition led to avoidable payment of appreciation cost of ₹22.03 crore.*

***(Paragraph 3.1.3)***

*Failure of the department to regulate the compensation payments as per provisions in the Land Acquisition Act resulted in excess payment of ₹21.78 crore to the land owners.*

***(Paragraph 3.1.4)***

***Irrigation Department***

*Ineffective monitoring and non-supply of detailed Khataunies resulted in non recovery of Tawan of ₹6.42 crore.*

***(Paragraph 3.1.5)***

***Social Security and Women and Child Development Department***

*Failure of the departmental officials to ensure eligibility of the persons for old age pension and other benefits resulted in irregular payments of ₹2.30 crore.*

***(Paragraph 3.1.6)***

***Agriculture Department and Housing and Urban Development Department***

*Departmental charges of ₹1.83 crore remained un-recovered due to ineffective follow up and delay in taking decision.*

***(Paragraph 3.1.7)***

***Public Works Department (B&R), Irrigation Department and Housing and Urban Development Department***

*Labour cess of ₹1.40 crore was recovered after pointed out by Audit and ₹1.14 crore remained to be recovered from the contractors.*

***(Paragraph 3.1.8)***

***Health and Family Welfare Department***

*Delayed registration of the District Health Societies under the Employees Provident Fund and Miscellaneous Provisions Act resulted in creation of liability of ₹86.12 lakh.*

***(Paragraph 3.1.9)***

***Home Affairs and Justice Department***

*Failure to adhere to the instructions of Government in fixing the pay of constables resulted in extra burden of ₹54.79 lakh on the State exchequer.*

***(Paragraph 3.1.10)***

***Failure of oversight/governance***

Government has an obligation to improve the quality of life of the people in the area of health, education, development and upgradation of infrastructure, public services etc. Audit noticed instances where the funds released by the Government for creating public assets remained unutilized/blocked or proved unfruitful/unproductive due to indecisiveness, lack of administrative oversight and concerted action at various levels. Audit findings related to failure of oversight are as under:

***Health and Family Welfare Department***

*A number of health facilities viz. Hospitals, Community Health Centres, Primary Health Centres, three of which were announced by the Chief Minister in public meetings seven to four years ago, did not materialize which also resulted in blockage of ₹6.64 crore.*

***(Paragraph 3.2.1)***

*Insufficient creation and mis-management of residential accommodation affected the availability of medical and paramedical staff in the health institutions and also resulted in avoidable payment of house rent allowance to them.*

***(Paragraph 3.2.2)***

***Irrigation Department***

*Failure of the department to ensure availability of the required quantity of water in the Sangatpura distributary and its minors before taking up the restoration work rendered the expenditure of ₹1.98 crore as wasteful.*

***(Paragraph 3.2.3)***

### ***Housing and Urban Development Department***

*Construction of houses without conducting any demand survey and failure of the authorities to protect these houses from encroachments and unauthorized possession resulted in idling of 203 houses constructed at a cost of ₹1.42 crore.*

**(Paragraph 3.2.4)**

### ***Health and Family Welfare Department***

*Due to ineffective implementation of the scheme by not making wide publicity, ₹2.95 crore remained unutilized over three years, besides foregoing the scope to avail possible matching contribution of ₹62.50 lakh from GoI.*

**(Paragraph 3.2.5)**

### **Persistent and pervasive irregularities**

An irregularity is considered persistent if it occurs year after year. It is deemed pervasive when it is prevalent in the entire system. Recurrence of irregularities, despite being pointed out in earlier audits, is indicative of slackness on the part of the executive and lack of effective monitoring. This in turn encourages willful deviations from observance of rules/regulations and results in weakening of administrative structure. Audit observed the following instances of persistent and pervasive irregularities:

### ***Industries and Commerce Department***

*There were payments of investment incentive of ₹2.45 crore to ineligible industrial units.*

**(Paragraph 3.3.1)**

### ***Health and Family Welfare Department***

*Poor planning to procure the equipment without ensuring availability of the skilled manpower and failure to get them repaired resulted in idling of the equipment worth ₹ 1.59 crore for 7 to 87 months.*

**(Paragraph 3.3.2)**

### **CCO based Audit**

The Chief Controlling Officer (CCO) centric audit is a comprehensive appraisal of the functioning of a department, identifying systemic issues that need to be addressed at various appropriate levels. The audit focuses on the risks that have an impact on the internal controls and the achievement of objectives for which the department was established/demands for grants were sanctioned by the Legislature. Apart from the regularity and compliance issues all the important aspects of functioning of the department viz. financial



management, planning and project management, monitoring, internal controls and human resource management etc. are covered in this appraisal.

The present Report contains one cco based audit. Significant audit observations are given below:

## **Animal Husbandry Department**

*Though improvement of genetic potential of the livestock through scientific breeding was one of the objectives of the department, it was not largely achieved as performance of all the four breeding farms (Buffalo breeding farm, Rabbit breeding farm, Pig breeding farm and Sheep breeding farm) were far from satisfactory in terms of targets set and achieved, in spite of existence of appropriate infrastructural facilities. Out of the 10 polyclinics functioning in the State, seven were found to be deficient in specialist doctors leading to denial of specialized services for the health of animals. To provide veterinary facilities at the doorsteps of farmers, the department had established 26 mobile veterinary units at the tehsil level, of which, 16 were not fitted with requisite equipments and medicines. Scrutiny of their performance disclosed severe shortfall in the number of health cases treated and artificial inseminations performed. Though the outlay of money planned for spending on various schemes (central and state) in the year 2009-10 and 2010-11 were ₹ 123.91 crore, GoI did not release ₹ 10.44 crore to the State and the State Government did not release ₹ 39.26 crore to the department. Out of the amount of ₹ 74.21 crore actually released, ₹ 18.33 crore was not spent during the period 2009-11.*

**(Paragraph 4.1)**

### **1.7 Response of the departments to draft performance audit report, draft CCO based audit report and draft paragraphs**

As per the instructions issued (August 1992) by the Finance Department, Government of Punjab and provision of C&AG's Regulations on Audit and Accounts, 2007, the departments are required to send their response to draft performance audit reports/draft paragraphs proposed to be included in the C&AG's Audit Reports within six weeks. It was brought to their personal attention that in view of likely inclusion of such paragraphs in the Reports of the C&AG, which will be placed before the Punjab Legislature, it would be desirable to include their comments in the matter. They were also advised to have meetings with the Principal Accountant General to discuss the draft performance audit report, CCO based audit report and draft audit paragraphs. These draft reports and paragraphs proposed for inclusion in this Report were also forwarded to the Principal Secretaries/Secretaries concerned between July and September 2011 demi-officially seeking their replies. Though no written replies were received, however, the audit observations were discussed during the exit conferences for the performance and CCO based audits conducted.



## 1.8 Follow-up action on Audit Reports

The Comptroller and Auditor General of India's Audit Reports represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in the various offices and departments of the State Government. It is, therefore, necessary that they elicit appropriate and timely response from the executive. At the instance of the Public Accounts Committee (PAC), the Finance Department issued (August 1992) instructions to all the departments to initiate suo moto concrete action on all paragraphs and reviews figuring in the Audit Reports irrespective of whether the cases were taken up for examination by PAC or not. The departments were also required to furnish to the PAC detailed notes duly vetted by Audit indicating the remedial action taken or proposed to be taken by them within a period of three months of the presentation of the Reports to the State Legislature.

The PAC has transferred (16 November 2010) the Audit Reports upto 2007-08 to the concerned departments for taking action at their own level within three months under intimation to the PAC. The PAC is monitoring the action taken by the departments on this aspect.

As regards the Audit Reports relating to the period 2008-09 and 2009-10, which had already been laid before the State Legislature, detailed notes in respect of 15 paragraphs and three Performance Audits (*Appendices 1.1 and 1.2*) had not been received in the Audit office as of 30 November 2011, even after the lapse of prescribed period of three months. Some of these paragraphs and Performance Audit dealt with important and repetitive issues such as avoidable payments, excess expenditure, blocking of funds, system failures, mismanagement and misappropriation of the Government money to which the Government departments did not respond.

## 1.9 Recommendations

The Report contains specific recommendations on a number of issues involving non-observance of the prescribed procedures and systems, compliance of which would help in promoting good governance and better oversight on implementation of developmental programmes. The State Government is impressed upon to take cognizance of these recommendations in a time bound manner.

