

Overview

This Audit Report contains 28 Audit Paragraphs and 3 Audit Reviews apart from comments on the Finance and Appropriation Accounts. As per existing arrangement, copies of the draft Audit Paragraphs and draft Audit Reviews are sent to the concerned Secretary to the State Government by the Accountant General, demi-officially with a request to furnish replies within 6 weeks. Despite such efforts, for 25 out of 28 Audit Paragraphs and for 3 Reviews, no response was received from the concerned Secretary of the State Government. The matter was also brought to notice of Chief Secretary by the Accountant General. Reply is still awaited.

I. Review of the State's Finances

- The assets of the State Government grew by 7 *per cent* during 2001-02 while the liabilities grew by 17 *per cent*. The net receipts from Public Accounts increased from 4.99 *per cent* last year to 5.02 *per cent* during current year. The share of revenue receipts in total sources decreased from 67.84 *per cent* in 2000-01 to 60.29 *per cent* during 2001-02 and the receipts from Public Debt went up from 25.91 *per cent* to 26.86 *per cent*.
- Though the share of revenue expenditure to total expenditure decreased from 87.36 *per cent* last year to 86.11 *per cent* during current year yet it was significantly higher than the revenue receipts, leading to revenue deficit of Rs. 3,781.19 crore during 2001-02. Balance from current revenue was negative and remained at a high level indicating that the Government had to depend only on borrowings to meet Plan expenditure.
- Interest payments increased by 36 *per cent* during the year and constituted 25 *per cent* of revenue expenditure. It increased by 72 *per cent* from Rs. 1,849 crore in 1997-98 to Rs. 3,178 crore in 2001-02 mainly due to increase in Public Debt.
- The ratio between capital outlay and capital receipts declined from 0.32 in 1997-98 to 0.15 in 2001-02 indicating that a substantial part of the capital receipts was not available for asset formation.
- As on 31 March 2002, 14 out of 23 Government Companies, in which Government invested Rs. 284.95 crore, were running at a loss and the accumulated loss amounted to Rs. 536.68 crore up to March 2002. Even the profit making Companies, Corporations and Co-operative Institutions, gave insignificant returns of less than one *per cent* during 1997-2002. Thus, while the Government was raising high cost borrowing (at 8 *per cent* to 10.35 *per cent* rate of interest) from the market, its investment fetched practically no returns.

- Rs. 12.49 crore realised from 9 major irrigation projects with a capital outlay of Rs. 211.61 crore was only 5.90 *per cent* of the capital outlay and was not sufficient to cover even the direct working expenses of Rs.112.72 crore. The projects suffered a net loss of Rs. 114.98 crore in 2001-02.
- The fiscal deficit of Rs. 4,959 crore (consisting of revenue deficit of Rs.3,781 crore) was financed by Public Debt (Rs.4,125 crore), and Public Account (Rs. 744 crore). The ratio of revenue deficit to fiscal deficit increased from 0.60 in 2000-01 to 0.76 in 2001-02 indicating that a larger share of borrowings was applied to meet the revenue expenditure. Repayment by the State Government was higher than loans received from GOI.
- The outstanding guarantees increased to Rs. 10,584 crore in 2001-02 and amounted to 119 *per cent* of the revenue indicating that the Government was taking an unacceptable risk in giving guarantees.
- Persistent negative BCR, almost stagnant tax GSDP ratio, a lukewarm approach by Government to implement the fiscal reforms programme (MOU) to reduce revenue expenditure, coupled with huge arrears in revenue collection and increased fiscal deficit during the year forced the State Government to borrow more. Resultantly, the outstanding Government debt now accounts for 44 *per cent* of GSDP. Most of the borrowings are directed towards revenue expenditure leaving little scope for new investments. Government investments are yielding virtually nothing to service the high debt burden and there is little sustainability to State finances.

(Paragraph 1.1 to 1.12)

II. Appropriation Audit and Control over expenditure

- During 2001-02, expenditure of Rs. 25,590.59 crore was incurred against the total grants and appropriations of Rs. 28,395.05 crore resulting in a saving of Rs. 2,804.46 crore (9.88 *per cent*).
- Excess over grant of Rs. 1,849.63 crore pertaining to the year 1997-2002 required regularisation by the Legislature under Article 205 of the Constitution.
- Supplementary provision of Rs. 132.86 crore obtained in 12 cases of grants and appropriations proved unnecessary. In 4 cases, supplementary provision of Rs.308.69 crore proved insufficient resulting in excess expenditure of Rs.386.23 crore.
- Significant excess expenditure was persistent in 5 cases under one grant (Grant No. 21-Public Works).
- Injudicious re-appropriation of funds resulted in saving of more than rupees one crore each in 45 cases.

(Paragraph No. 2.1 to 2.9)

III. Performance review of schemes

1. Integrated Audit including Manpower Management of Public Works Department (B & R Branch)

The State of Punjab has a network of 45,931 Kms of roads, 606 bridges and 10 flyovers as of March 2002. A review on Integrated Audit of Public Works Department, Buildings and Roads Branch including Manpower Management indicated several deficiencies in the planning and execution of works. Financial management and control over expenditure was deficient leading to preparation of inflated budget estimates and unjustified supplementary demands/re-appropriation of grant. Some of the significant findings as a result of test check are given below:

- Budgetary control was deficient. Budget demands of 9 divisions were 41 to 57 *per cent* higher than expenditure in each year during 1999-2002 and were prepared on adhoc basis. Additional funds through supplementary and re-appropriation grants resulted in Rs.118.94 crore remaining unutilized.
- Excess expenditure under 31 sub-heads ranged between 7 and 12,015 *per cent* during 1999-2002. Under 83 sub-heads, Rs. 895.18 crore was incurred without any provision during 1999-2002.
- In contravention of Departmental Rules, liability of Rs. 10.47 crore was created.
- Sales Tax and Income Tax amounting to Rs. 83.26 lakh and Rs. 98.46 lakh respectively deducted from the bills of contractors were not deposited into Government account.
- Ministry of Road Transport and Highways withheld Rs.4.78 crore pertaining to works of National Highways due to non-compliance with their observations and non-reconciliation of accounts.
- Over specifications in applying tack coat resulted in extra expenditure of Rs. 3.39 crore in 11 Divisions.
- Rs. 43.86 crore was spent irregularly by 4 divisions on 26 works without getting technical sanctions from competent authority.
- Expenditure of Rs. 1.03 crore incurred on construction of bridge without completion of approaches and protection works was rendered wasteful for the last 32 months.
- Departmental land valuing Rs. 1.64 crore was under un-authorised occupation of private persons and cases were under litigation.
- Rs. 1.02 crore was incurred on pay and allowances of idle drivers and cleaners.

(Paragraph 4.1)

2. Environmental Acts and Rules relating to Air Pollution and Waste Management

Implementation of the provisions of the "Air (Prevention and Control of Pollution) Act, 1981" and the "Environment (Protection) Act, 1986" and implementation of Rules made thereunder with regard to Air Pollution, Hazardous Waste, Bio Medical Waste and Solid Waste in the State of Punjab was not satisfactory. The Punjab Pollution Control Board (PPCB) did not frame any comprehensive programme for prevention, control and abatement of air pollution. A review of the performance of the PPCB revealed the following:

- Out of Rs. 76.85 crore available, Rs. 37.34 crore remained unspent during 1996-2002. 5 schemes formulated by the Board estimated to cost Rs. 2.72 crore remained unimplemented despite availability of funds. Central Government suspended further funding because of the availability of unspent money.
- Out of 8,406 identified industrial units, only 2,935 units (35 per cent) applied for consent and remaining 5,471 units (65 per cent) were running without consent. Even out of 2,935 units, only 2,015 (24 per cent) were granted consent and the remaining 920 units were either refused consent or their applications were under process.
- 3,416 units out of 8,088 did not install Air Pollution Control Devices.
- For 29.10 lakh vehicles in the State, only 187 pollution check centres were authorised by the State Transport Authority. In Ludhiana, 74 per cent three wheelers, 91 per cent buses and 97 per cent trucks did not meet the prescribed smoke emission standard. No action was taken against the defaulters.
- Out of 1,362 units identified as hazardous waste generating units, only 951 units applied for authorization out of which 660 units were granted such authorization by the Board.
- Out of 300 hospitals/ nursing homes identified by the Board as bio-medical waste generating units, only 20 (7 per cent) applied for authorization. None of them was granted authorization. Of the 93 hospitals identified by the Board for providing waste treatment facilities, only 3 provided the facility.
- The Board sustained loss of revenue aggregating Rs. 1.07 crore due to non-realisation of application fee for authorization of facilities for hazardous waste management and consent fee from polluting industries.

(Paragraph 6.1)

3. Rural Housing Scheme (Indira Awaas Yojana)

Indira Awaas Yojana (IAY) was launched by the Government of India in 1985-86 as a component of the Rural Landless Employment Guarantee Programme and was made an independent scheme from January 1996. The objective of IAY is primarily to help construction of free dwelling units for the Scheduled Castes/ Scheduled Tribes (SC/ ST) and Freed Bonded Labourers (FBL) and rural poor living below the poverty line (BPL) by providing them with grants-in-aid. To supplement the efforts made by Government to provide houses to the rural poor, Government of India also launched “Pradhan Mantri Gramodaya Yojana” (PMGY) and “Credit-cum-Subsidy Scheme for Rural Housing” and “Samagra Awaas Yojana” during 1999-2002. Management and implementation of IAY in the State of Punjab was ineffective. The prescribed criterion for identification of beneficiaries was not followed and funds were irregularly released. Test check of records revealed the following :

- Rs. 14.90 crore released by 4 test checked Zila Parishads (ZPs) to BDPOs/GPs during 1997-2002 was treated as final expenditure without ensuring actual disbursement and utilisation by beneficiaries.
- Rs. 2.94 crore was released to Block Development and Panchayat Officers by ZPs of Amritsar, Ferozepur and Ropar without prior selection of beneficiaries.
- Rs. 1.45 crore was disbursed to 767 beneficiaries in the districts of Amritsar, Ferozepur and Patiala on the recommendations of Ministers/ MLAs.
- Shortfall in construction of new houses and up-gradation of Kutchha houses was 14 and 19 *per cent* respectively.
- In disregard of the provisions of the scheme, allotment of houses to 3,809 (52 *per cent*) dwelling units in 4 test checked districts was made in the name of male members of the family instead of female members or jointly in the names of husband and wife.
- The data about the smokeless chulhas and sanitary latrines provided at the newly constructed/ upgraded houses reported to Joint Development Commissioner by Zila Parishads of the test checked districts was at variance with the data supplied to Audit.

(Paragraph 6.2)

4. National scheme of Liberation and Rehabilitation of Scavengers

With a view to liberate scavengers from the existing hereditary and inhuman occupation of manually removing night soil and filth and to engage them in alternative and dignified trades/ occupations, Government of India launched National Scheme of Liberation and Rehabilitation of Scavengers (NSLRS) in 1980-81. The scheme was bifurcated in 1991-92 and Ministry of Urban and Rural Development became responsible for conversion of dry latrines into wet

latrines, while the rehabilitation of scavengers was entrusted to Ministry of Social Justice and Empowerment.

Some of the significant findings were:

- Rs. 2.55 crore provided by the Central Government during 1995-96 was not released by the State Government.
- Only 531 scavengers were identified in the revised survey whereas 25,140 dry latrines were yet to be converted into wet latrines in the State as of March 2002.
- Only 4,523 out of 31,290 identified scavengers could be imparted training and no training was imparted after 1995-96.
- Only 2,988 out of 31,290 identified scavengers were rehabilitated during 1992-2002, which reflected overall shortfall of 90.45 *per cent*.
- Sanitary marts were not opened to help scavengers quit their inhuman profession even though financial assistance of Rs. 17.50 lakh was available.

(Paragraph 3.12)

5. Miscellaneous Public Works Advances

Transactions under the Suspense Account “Miscellaneous Public Works Advances” (MPWA) are temporarily booked to watch actual recovery or adjustment under proper sanction. A review of the balances under MPWA as on March 2002 in the Irrigation and Power Department and Public Works Department (B&R) disclosed the followings:

- During 1989-2002, number of items pending clearance increased from 2,549 (Rs. 19.52 crore) to 3,460 items (Rs. 40.60 crore) in Irrigation and Power Department and from 1,260 (Rs. 0.71 crore) to 1,950 items (Rs.30.43 crore) in PWD (B&R) Branch.
- Rs.2.33 crore was spent in excess of deposit during September 1988 to August 1998 in Irrigation and PWD (B&R).
- Rs.7.27 crore was outstanding since October 1986 in 5 divisions on account of work done on behalf of 44 other divisions of Irrigation Department.
- Rs.4.51 crore was outstanding against various contractors/ suppliers on account of short/non-receipt of material since July 1952.
- Rs.2.12 crore was outstanding against deceased/retired employees since March 1947 in Irrigation and PWD (B&R).
- Rs.4.98 crore was spent without approval and wrongly charged to MPWA.

(Paragraph 4.4)

6. Stores & Stock Accounts

Review of Stores and Stock Account of Public Works Department, Buildings and Roads Branch revealed the followings :

- Three divisions kept stores valuing Rs. 10.55 crore in excess of permissible limit.
- Unserviceable material and empty bitumen drums valuing Rs. 1.09 crore were awaiting disposal.
- In violation of Government decision, packed bitumen was procured in excess of norms resulting in extra expenditure of Rs. 2.72 crore.
- Rs. 15.41 lakh of discount on purchase of bitumen was not availed from Indian Oil Corporation.
- Cost of bitumen valuing Rs. 51.66 lakh issued to six contractors between July 1992 and December 2000 was not recovered.

(Paragraph 5.1)

7. Swaranjayanti Gram Swarozgar Yojana

Government of India re-structured the Integrated Rural Development Programme a self-employment programme as Swaranjayanti Gram Swarozgar Yojana (SGSY) and launched it in 1999 with the objective of covering 30 *per cent* of poor families in each block during the next five years and to bring the assisted poor families above the poverty line in three years by providing them income generating assets through a mix of bank credit and government subsidy so that the family could get a monthly net income of at least Rs. 2,000 excluding repayment. There was heavy shortfall in coverage of beneficiaries due to non-disbursement of loans and subsidy by the banks. Some of the significant findings in the implementation of the scheme are given below:

- In the five test-checked districts, against the availability of Rs. 10.81 crore, expenditure was only Rs. 8.66 crore (80 *per cent*). Rs.2.15 crore was lying with the banks, DRDAs and BDPOs.
- Administrative cost of Rs. 43.42 lakh was wrongly charged to the scheme.
- Separate Training Fund, Infrastructure Fund and Revolving Fund for Self Help Groups were not created and allocation under them was meagre and lower than the prescribed norms.
- Only 19,956 beneficiaries out of 1,28,293 were covered and shortfall in coverage was 84 *per cent*.
- Out of loan and subsidy amounting to Rs. 34.42 crore sanctioned for disbursement to 9,152 beneficiaries, only Rs.26.41 crore was disbursed to 7,379 beneficiaries.

- Physical verification of assets created by the beneficiaries was not carried out to ensure their existence.
- Due to inadequate supervision at various levels, proper monitoring and implementation of scheme was not done.

(Paragraph 6.3)

8. Procurement and Storage of wheat

State Food and Supplies Department alongwith other procurement agencies procure wheat from the farmers and supply to the Central pool through FCI. Pending delivery to FCI, the procured wheat is stored in own and hired godowns. The department also procured various articles like gunny bags, crates, polythene covers for the protection of stock. A review of procurement and storage operations of wheat in the State Food & Supplies Department revealed the following:

- Unauthorised excess cash credit limit of Rs. 324 crore was availed, which caused additional interest liability of Rs.29.99 crore.
- Sale proceeds aggregating to Rs. 634.56 crore were irregularly not repaid to SBI against cash credit and additional interest liability was Rs.150.42 crore.
- Carryover charges of Rs. 2 crore was not claimed from FCI.
- Due to non-observance of FIFO method for the despatch of wheat and improper storage of wheat, Rs. 1.55 crore was lost.
- Rent of Rs. 2.23 crore remained un-recovered from wheat procuring agencies on account of wooden crates given on loan.
- Gunny bags worth Rs. 8.44 crore transferred on loan basis to wheat procuring agencies remained un-recovered for three years.

(Paragraph 7.1)

IV AUDIT PARAGRAPHS

Loss of money

- (i) Failure of Health and Family Welfare Department to deposit in time Pay Orders valuing Rs. 48.05 crore under ESI scheme resulted in avoidable loss of interest of Rs. 23.65 lakh.
(Paragraph 3.5)
- (ii) Failure of State Government to issue necessary instructions with regard to non-collection of cess in pursuance of annulment of Punjab Social Security Act resulted in collection and retention of cess amount of Rs.34.78 crore out of Government account having the effect of net loss of interest of Rs. 26.36 lakh on the balances.
(Paragraph 3.9)

- (iii) Non-recovery of cost of material from running bills of the contractor by the Executive Engineer, Rural Works Division, Ropar for about 6 years resulted in a loss of Rs. 28.09 lakh.
(Paragraph 4.2)
- (iv) Irregular operation of current account by the Executive Engineer, Public Health (RWS) Division, Malout in Commercial bank caused loss of interest of Rs. 42.17 lakh.
(Paragraph 4.9)

Blockade of funds

- (i) Rs. 7.30 crore spent on the construction of 6 Industrial Training Institutes proved unfruitful due to abandonment of work.
(Paragraph 3.11)
- (ii) Construction of Dr. B. R. Ambedkar Bhawan buildings remained incomplete at three places even after a lapse of 8 years, resulting in unfruitful expenditure of Rs.1.50 crore.
(Paragraph 3.13)

Infructuous expenditure

- (i) Rs. 29.75 lakh spent on the purchase of K-851 summer moong seed became unfruitful as the popularisation of summer moong cultivation failed due to low average yield of the seed variety.
(Paragraph 3.1)
- (ii) Expenditure of Rs. 43.09 lakh on the construction of 22 shops for selling fish and purchase of two insulated refrigerated vehicles proved infructuous due to non-finalisation of terms and conditions for leasing out shops and purchase of vehicles without immediate requirement.
(Paragraph 3.2)
- (iii) Failure of Industry Department to take action to transfer idle staff posted in Heat Treatment Unit, Batala resulted in infructuous expenditure of Rs. 31.24 lakh on pay and allowances for four years.
(Paragraph 3.7)

Breach of Legislative Financial Control

Secretary Education exceeded his powers and issued orders to credit Government receipt of Rs. 1.26 crore into separate bank accounts and to incur expenditure of Rs. 46.93 lakh therefrom in violation of financial rules and breach of Legislative Financial Control.

(Paragraph 3.4)

Inadmissible/ excess/ irregular payments

- (i) Mis-application of NCDC loan meant for Markfed by the State Government resulted in extra interest liability of Rs. 4.37 crore and loss of dividend of Rs. One crore.
(Paragraph 3.3)

- (ii) Investment incentive of Rs.1.14 crore was released to 8 cold storage units which were not eligible for the same under the Industrial Policy of the State Government.

(Paragraph 3.6)

- (iii) Rupees one crore was sanctioned/ released to a religious body in contravention of provisions of scheme.

(Paragraph 6.4)

Non-achievement of objectives

- (i) Due to imprudent decision of the Chief Engineer, Public Health, galvanised iron pipes valued at Rs. 1.29 crore were procured against the requirement of pipes with a longer life for a drinking water project.

(Paragraph 4.6)

- (ii) Due to failure of the department to arrange operational staff for running 7 Water Supply Schemes, potable water could not be provided to rural masses even after incurring an expenditure of Rs.1.11 crore.

(Paragraph 4.7)