OVERVIEW

This Audit Report contains seven Reviews and long paragraphs and 22 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, for 22 out of 29 Audit Paragraphs and Reviews, no response was received from the concerned Secretary of the State Government. 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 5,755 crore in 1998-99 to Rs 11,071 crore in 2002-03 at an average trend rate of 13.15 *per cent* per annum.
- Total expenditure increased from Rs 9,642 crore in 1998-99 to Rs 15,584 crore in 2002-03 at an average trend rate of 13.02 *per cent* per annum.
- Share of economic services and social services in total expenditure declined sharply from 23.96 *per cent* and 28.09 *per cent* to 17.24 *per cent* and 20.82 *per cent* respectively during 1998-2003. The relative share of general services increased from 45.98 *per cent* in 1998-99 to 58.35 *per cent* of total expenditure in 2002-03.
- Salaries alone took away nearly 63 *per cent* of the revenue receipts of the Government (excluding receipts from state lotteries and notional interest receipts from PSEB) during the year.
- Pension payments took away as much as 12.24 *per cent* of the revenue receipts of the Government as it increased by 88.48 *per cent* from Rs 719.25 crore in 1998-99 to Rs 1355.64 crore in 2002-03.
- Interest payments increased steadily by 48 *per cent* from Rs.2,317 crore in 1998-99 to Rs.3,434 crore in 2002-03 primarily due to continued reliance on borrowings for financing the fiscal deficit.
- Plan expenditure declined from 15.73 *per cent* of total expenditure in 1998-99 to 10.53 *per cent* in 2002-03. Capital expenditure also declined from 11.97 *per cent* in 1998-99 to 2.76 *per cent* in 2002-03 partly due to excess receipts and recoveries of Rs 475 crore under the head 'Capital Outlay on Food Storage and Warehousing'.
- The revenue deficit increased from Rs 2,629 crore in 1998-99 to Rs 3,754 crore in 2002-03. The fiscal deficit, which represents the total borrowings of the Government and its total resource gap, increased from Rs 3,780 crore in 1998-99 to Rs 4,410 crore in 2002-03.

- Ratio of revenue deficit to fiscal deficit increased from 69.55 *per cent* in 1998-99 to 85.12 *per cent* in 2002-03 indicating further deterioration in the financial health of the State.
- While the liabilities grew by 12.82 *per cent*, the assets grew by 3.79 *per cent* during 2002-03. Fiscal liabilities of the State increased from Rs 21,705 crore in 1998-99 to Rs 38,315 crore in 2002-03 at an average annual rate of 16.39 *per cent.*
- Amount of outstanding guarantees increased from Rs 3,390 crore in 1998-99 to Rs 13,734 crore in 2002-03 and amounted to 124 *per cent* of the revenue receipts (Rs 11,071 crore) of the State Government.
- Sixteen out of 33 Statutory Corporations and Government Companies with an aggregate investment of Rs 412.87 crore were running at a loss and the accumulated losses were Rs 1,290.90 crore.
- Outstanding balances of loans and advances increased by Rs 236 crore from Rs 5,150 crore in 2001-02 to Rs 5,386 crore in 2002-03 included loan of Rs 3,903 crore (72 *per cent*) advanced to Punjab State Electricity Board.

(Paragraphs 1.1 to 1.15)

II. Allocative Priorities and Appropriation

- During 2002-03, expenditure of Rs 24,660.75 crore was incurred against the total grants and appropriations of Rs 29,089.15 crore resulting in a saving of Rs 4,428.40 crore.
- Excess over grants of Rs 2,139.48 crore pertaining to the year 1996-2003 required regularisation by the Legislature under Article 205 of the Constitution.
- Supplementary provisions of Rs 270.03 crore in 14 cases of grants and appropriations proved unnecessary.
- Significant excess expenditure was persistent in 6 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 10 cases.

(Paragraphs 2.1 to 2.9)

III. Performance Reviews

1. Working of Agriculture Department

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.

- Rs 25.86 crore were lying unspent as on 31 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.
- 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.
- Loan of Rs 12 crore was released to Punjab Agro Industries Corporation without finalising terms and conditions for repayment.
- 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)

2. Implementation of the Drugs and Cosmetics Act, 1940

The Drugs and Cosmetics Act, 1940 (Act) is a Central Act and is applicable to the whole of India. This Act alongwith other associated Acts and 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 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.

- Shortfall in drawing of samples of allopathic drugs ranged between 10 and 35 *per cent* during 1998-2003. No samples of Ayurvedic and Unani drugs were drawn for testing.
- 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 pending for renewal as of February 2003/May 2003.
- Against 74,459 inspections of drug manufacturers and selling units required to be conducted by the Drug Inspectors, only 10,489 inspections were conducted during 1998-2003 resulting in shortfall of 63,970 inspections.

- Delay of one to 23 months in analysing 369 samples resulted in continued sale of sub-standard and spurious drugs.
- Action against 486 drug offenders was not finalised despite the fact that their drug samples were declared sub-standard, spurious etc. during 1998-2002.

(Paragraph 3.2)

3. Accelerated Irrigation Benefit Programme

Government of India launched Accelerated Irrigation Benefit Programme (AIBP) in October 1996 by providing Central Loan Assistance (CLA) to State Government for early completion of ongoing projects for realising irrigation potential. Five Projects namely (i) Ranjit Sagar Dam Project (RSDP), (ii) Shahpur Kandi Dam Project (SKDP), (iii) Remodelling of UBDC system, (iv) Irrigation to Himachal Pardesh area below Talwara and (v) Kandi Canal Project-Stage II were covered under the programme. Additional irrigation potential created from RSDP was not utilised because completion of Shahpur Kandi Dam Project and Remodelling of UBDC System was not synchronised with the completion of RSDP. Thus, the objective of deriving full irrigation benefit was not achieved despite creation of irrigation potential of 3.48 lakh hectares since March 2001 after completion of RSDP.

- CLA of Rs 26.66 crore pertaining to SKDP (Rs 16.16 crore) and Kandi Canal Project-Stage II (Rs 10.50 crore) released during October 2002 and January 2003 respectively was not released upto June 2003 whereas release of CLA of Rs 22 crore pertaining to the project “Irrigation to HP area below Talwara” was delayed by two to five months.
- Matching grant of Rs 7.425 crore for SKDP and Rs 20 crore for “Remodelling of UBDC System” had not been released by the State Government while release of Rs 11 crore in respect of the project “Irrigation to HP area below Talwara” was delayed by five to eight months.
- Recovery amounting to Rs 3.43 crore on account of works executed at the risk and cost of a contractor was not made (June 2003) as the estimates of repairs had not yet been sanctioned.
- No mechanism was evolved for effective monitoring of the progress of the works and State/ Project Level committees were not formed.

(Paragraph 3.3)

4. Sangat Darshan disbursements

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 to the District Administration for holding meetings at a particular place. 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 by withdrawing money from various Funds/Schemes. The whole exercise was named as “Sangat Darshan Programme”. 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.

- No separate budget/funds were provided by the State Government but Rs 308.90 crore were disbursed during Sangat Darshan meetings by withdrawing the money from various Funds and Schemes.
- Against the provisions of Punjab Rural Development Act, 1987, Punjab Rural Development Board entrusted all administrative and financial powers of Rural Development Fund (RDF) to the Chief Minister.
- Prior to introduction of Sangat Darshan Programme, Rs 12.58 crore were withdrawn during 1998-2000 whereas there was manifold increase in disbursement of funds during 2000-01 (Rs 54.60 crore) and 2001-02 (Rs 285.33 crore) in Sangat Darshan meetings.
- 3,420 works valued at Rs 26.39 crore remained incomplete due to non-formation of village level committees for execution of developmental works.
- Rs 11.67 crore were disbursed to non-Government organisations and ineligible agencies who were not authorised to execute works.
- In Muktsar district, Rs 3.94 crore were disbursed for the purposes not covered under Chief Minister's Flood Relief Fund.

(Paragraph 3.6)

5. Welfare of Handicapped

Welfare of handicapped is a complex issue involving co-ordination of curative, promotional and rehabilitational activities directed at different forms of handicapped and multitude of measures. In order to provide services to persons with disabilities identified in the State and to fulfill specific obligations, the Punjab Government passed an Act titled "Persons with Disability (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 which came into effect in October 1998. The Act covers services like survey, investigation and research concerning the causes of disability, to screen all children at least once a year, to educate the general public through schools and to create awareness among the public through mass media on the causes of disability and the preventive measures to be adopted.

- Out of Rs 2.57 crore released by Government of India, Rs 1.08 crore were still lying unutilised outside Government account resulting in loss of interest of Rs 24 lakh.
- Due to non-release of funds by the Government of India, expenditure of Rs 1.56 crore was rendered unfruitful as the building for Spinal Injuries Centre at Mohali was not completed.

- Only one Government institute at Ludhiana catered for blind children and one another institute at Kapurthala catered for the mentally retarded children. Both these institutions did not run to their full capacity.

- Despite the major disability being identified as loco-motor disability, there was no separate policy nor any specific programme for their rehabilitation.

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

(Paragraph 3.7)

6. Stores and stock accounts

Review of Stores and Stock Account of Irrigation and Power Department revealed the followings:

- Unserviceable material/machinery valuing Rs 25.51 crore remained undisposed resulting in blockade of funds.

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

- Supply of material against advance payments of Rs 2.81 crore made during 1972-2000 was awaited.

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

(Paragraph 3.4)

IV. Transaction Audit Paragraphs

Loss of Government money

- Non-levy of departmental charges on the cost of land and short levy thereof on the value of works of a refinery entailed loss of Rs 2.04 crore to the State exchequer.

(Paragraph 4.1.1)

- Due to delay in submission of certified bills by the Chief Engineer, PWD to Regional Pay and Accounts Officer, (MORT&H), Rs 1.82 crore paid to the contractors on account of interest were adjusted against the agency charges of the Department.

(Paragraph 4.1.2)

- Injudicious decision of the State Government to acquire 100 flats at Delhi without ensuring the suitability of location resulted in loss of Rs 3.65 crore.

(Paragraph 4.1.3)

Additional cost to State Exchequer

- Failure to discontinue payment of project allowance to the staff of Ranjit Sagar Dam Project at Shahpur Kandi after completion of dam during March 2001 resulted in extra burden of Rs 13.91 crore on State exchequer from May 2001 to August 2003.

(Paragraph 4.3.1)

- Failure of Irrigation Department to follow the prescribed procedure to acquire land required for construction of reservoir of Chohal dam, resulted in additional payment of Rs 2.59 crore.

(Paragraph 4.3.2)

Idle Investments

- Allotment of work without technical sanction and inadequate provision of funds resulted in idle investment of Rs 1.96 crore on a super passage over Nasrala Choe since September 2000.

(Paragraph 4.4.1)

- Due to non-payment of Rs 8.15 lakh, expenditure of Rs 5.61 crore was rendered unfruitful for more than three years as possession of the building was not taken over.

(Paragraph 4.4.3)

- Due to indecision of the State Government to run the Dashmesh Academy of Martial Sports at Anandpur Sahib, expenditure of Rs 18.72 crore has been rendered unfruitful.

(Paragraph 4.4.4)

- Due to stoppage of construction work of two Government Polytechnics, Rs 5.01 crore spent on construction of buildings became unfruitful besides non-recovery of Rs 2.20 crore paid to NBCC on account of mobilisation advance.

(Paragraph 4.4.5)

Unfruitful Expenditure

- ESI workers and their families remained deprived of intended facilities even though hospital building and residential quarters at Mandi Gobindgarh constructed by incurring an expenditure of Rs 2.64 crore were complete since November 1997.

(Paragraph 4.5.1)

- Suspension of work of construction of commercial complex by Punjab Urban Planning and Development Authority without assigning any valid reasons resulted in infructuous expenditure of Rs 1.99 crore.

(Paragraph 4.5.2)