

Chapter 3

Compliance Audit

3.1 Non-compliance with rules and regulations

For sound financial administration and control, 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. Audit of the departments of the Government, their field formations as well as of the autonomous bodies brought out several instances of lapses in management of resources and failures in adherence to the norms of regularity, propriety and economy. Some of the audit findings on non-compliance with rules and regulations are as under:

HEALTH AND FAMILY WELFARE DEPARTMENT

3.1.1 Failure to raise claims for reimbursement of expenditure

Money value= ₹39.89 crore
Matrix identity =E
Score =0.45
Weighted value =₹ 17.96 crore

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

The Employees' State Insurance Scheme under the Employees State Insurance Corporation Act, 1948 aims at protecting the employees working in factories against the hazards of sickness, maternity, disablement and death due to employment injury and provide medical care to the insured employees and their families. The expenditure on medical care within the prescribed ceiling is shared between the Employees State Insurance Corporation (Corporation) and the State Government in the ratio of 7:1. The State Government incurs the expenditure in advance and gets it reimbursed from the Corporation, subsequently.

As per the agreement entered into (December 1957) between the State Government and the Corporation –

- As soon as possible after the close of the financial year, the State Government shall have an account prepared showing the expenditure incurred by them on medical care to the insured persons and their families in the State.
- The Accountant General of the State shall furnish annually a certificate indicating the expenditure admitted in audit. The audited account together with such certificate shall be furnished by the State Government to the Corporation to enable it to pay its share.

- Where a State Government so desires, the Corporation may make periodical 'on account' payments.

Scrutiny of records (July 2010) in the office of the Director, Health Services (State Insurance), Punjab, disclosed that the Corporation had been reimbursing its 7/8th share of expenditure to the State Government on interim basis quarterly. Out of ₹ 125.71 crore as its share, the Corporation had reimbursed ₹ 85.82 crore during the period 2006-10 leaving a balance of ₹ 39.89 crore. The final claims for reimbursement had not been got settled from the Corporation for the period 2006-10.

On being pointed out (March 2011), the Director stated (May 2011) that claims for reimbursement were yet to be lodged as the figures of expenditure with Accountant General (A&E) could not be reconciled due to non-compilation of accounts and shortage of staff. The reply is not acceptable as such administrative issues should have been monitored and controlled considering the quantum of reimbursement due, particularly when the State's financial position was precarious.

Thus, failure of the Director to reconcile the figures of expenditure and obtain audit certificate for the period 2006-2010 in time has resulted in non-reimbursement of expenditure of ₹ 39.89 crore from the Corporation, which involved loss of interest of ₹6.42 crore to the State exchequer, whose financial position has been strained on account of huge borrowings etc.

The matter was referred to the Government in March 2011; reply has not been received (December 2011).

HOME AFFAIRS AND JUSTICE DEPARTMENT

3.1.2 Recoverable charges against deployment of police forces

Money value= ₹39.71 crore
Matrix identity =E
Score =0.35
Weighted value ₹ 13.90 crore

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

With a view to assess the outstanding dues from other Departments/States against deployment of the Punjab Police forces, records of 24 Senior Superintendents of Police (SSP), eight Punjab Armed Police Battalions (PAP), six Indian Reserve Battalions (IRB), five commando battalions and four Superintendents of Police, CID (Intelligence) (**Appendix 3.1**) covering the period from April 2006 to March 2011 were checked. The results of audit are presented below:-

Outstanding dues from bodies within State

Rules provide that the department can deploy forces for private persons, corporate bodies or commercial companies as per their requirement duly applied for and on collection of the charges in advance and also restrict

deployment of the police forces until the required advance payment has been received.

a) Recovery of charges from private and corporate bodies

We found (between August 2010 and December 2010) and subsequent information collected (March 2011) that nine (**Appendix 3.1**) offices of the Punjab Police regularly deployed forces for the corporate bodies (**Appendix 3.1**), such as Banks, Electricity Board, All India Radio during the period from April 2006 to March 2011 without any requisition in the prescribed form and without receipt of advance payment of charges from them. Though the bills for ₹ 34.20 crore for providing forces to the corporate bodies during the said period were raised by the department but it could recover only ₹ 11.73 crore (34 *per cent*) and ₹ 22.47 crore were still outstanding as on March 2011.

When we pointed out (March 2011), the Additional Director General of Police, Security while admitting the fact that no advance payment was received stated (April 2011) that the forces were deployed to protect the vulnerable points which is the responsibility of the department. The reply is not acceptable as the department itself had raised the bills and recovered part of the claims.

b) Recovery of charges from Punjab Cricket Association (PCA)

Mention was made regarding outstanding recovery of ₹ 1.01 crore upto the year 2005-06 from Punjab Cricket Association in paragraph 7.3.4 in the Report of the Comptroller and Auditor General of India (Revenue Receipts)-Government of Punjab for the year ended 31 March 2007, yet no recovery had been made by the department till date.

We further found (June 2010 and February 2011) that during 14 events of International/Indian Premier League (IPL) cricket matches organised by the Board of Control of Cricket in India (BCCI) and the franchises of IPL at Mohali between October 2006 and October 2010, 18706 police personnel (**Appendix 3.1**) were deployed at the PCA stadium without receiving advance payments. Though, the department had been lodging claims with the PCA for recovering the dues, it could not recover the charges from them. This led to non-recovery of the entire claim of ₹ 7.47 crore for the period from October 2006 to October 2010.

When we pointed out (March 2011), the SSP Mohali stated (April 2011) that vigorous efforts were being made to recover the expenditure incurred on account of providing forces.

Outstanding dues from other States

Government of India, Ministry of Home Affairs issued (September, 1995) instructions for reimbursement of expenditure in respect of Armed Police Battalions deployed in other States. It provided that the borrowing State/U.T./Authority would reimburse the expenditure of the Armed Police

Battalion loaned to them on quarterly basis to the extent of ₹ 50.00 lakh per quarter per Battalion subject to final settlement on receipt of certified audited figures.

We found (May 2010 to December 2010) and subsequent information collected (March 2011) that on the requisitions made by other States, 20 police units (*Appendix 3.1*) were deployed between April 2006 and March 2011 to maintain law and order in other States. But against the total claim of ₹ 13.04 crore, the department could recover only ₹ 3.27 crore from two States.

Despite the fact that the department failed to recover the balance charges of ₹ 9.77 crore from other States, who had requisitioned the Punjab Police forces, it continued to deploy police forces. When we enquired (March 2011) about the reasons for non-recovery of the outstanding charges, the Director General of Police did not furnish reply in this regard.

Thus, 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.

It is recommended that the department should ensure that it deploys the forces after receipt of a formal request, as well as advance payment and entering into formal agreements with the beneficiaries, in respect of the cases other than deployment of police forces for normal maintenance of the law and order.

The matter was referred to Government (April 2011); the reply has not been received (December 2011).

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

3.1.3 Avoidable payment

Money value=₹ 22.03 crore
Matrix identity =C
Score =0.70
Weighted value =₹ 18.02 crore

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

To take care of payment of adequate compensation to the land owners and to eliminate the delay, the Government of Punjab, (Department of Revenue & Rehabilitation) formulated (December 2006) a new policy for acquisition of land for public purpose, which stipulated that declaration under Section 6 of the Land Acquisition Act, 1894 (Act) was to be issued within six months of issue of notification under Section 4 of the Act and the award was to be announced within six months of issue of declaration under Section 6 of the Act failing which the acquisition proceedings would lapse and to be started *de novo*, if required. Section 23 (1-A) of the Act provides that in addition to the market value of land, an amount calculated at the rate of 12 *per cent* per annum on such market value for the period commencing from the date of publication of the notification under Section 4, to the date of award or the date of taking possession of the land, whichever is earlier, is to be paid to the land owners.

Scrutiny of records (May 2011) in the office of the Land Acquisition Collector, Greater Mohali Area Development Authority, Mohali, (LAC) disclosed that for acquiring 1316.26 acres of land for construction of 200 feet wide road from Sector 66-66A to NH-64 and NH-64 to Sector 21, Panchkula, the notification under Section 4 of the Act was issued in February 2009 (929.73 acres) and August 2009 (386.53 acres) and declaration under Section 6 was issued in August 2009 and August 2010 respectively.

However, the awards for 855.08 acres of land actually acquired were announced in April 2010 and February 2011 after the delay ranging between 70 and 181 days from the stipulated date (i.e. one year after the date of issue of notification under Section 4). As the awards were announced late, an extra payment of ₹ 22.03 crore on account of 12 *per cent* appreciation cost had to be made to the landowners, which could have been avoided had the awards been announced in time.

On this being pointed out (May 2011), the Land Acquisition Collector stated (August 2011) that the delay in announcement of awards occurred due to procedural reasons and point has been noted for future compliance. The reply amounts to admittance of the lapse for which no responsibility has been fixed.

The matter was referred to the Government (September 2011); reply has not been received (December 2011).

3.1.4 Excess payment to the land owners

Money value= ₹ 21.78 crore
Matrix identity =B
Score =0.80
Weighted value =₹ 17.42 crore

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

The Land Acquisition Act, 1894 (Act) inter alia provides for payment of the market value of land, and an award amount calculated at the rate of 12 *per cent* per annum on such market value for the period commencing from the date of publication of the notification under section 4 (1) of the Act, to the date of award or the date of taking possession of the land, whichever is earlier.

During audit (June 2010 and May 2011) of records in the office of the Land Acquisition Collector, Greater Mohali Area Development Authority, Mohali (GMADA), it was noticed that land measuring 357.65 acres for various purposes¹¹ was acquired in various villages near Mohali. On the basis of recommendations made by the District Land Price Fixation Committee, the Cabinet Sub Committee in its meeting held on 3rd February 2009, fixed the rate at ₹ 1.50 crore per acre which included the 30 *per cent* solatium, 12 *per cent* amount for the period of one year from the date of issue of notification under Section 4 (1) of the Act, and 10 *per cent* compensation for not going to the Court by the land owners. It was observed by us that the notifications under Section 4 in respect of the land acquired were issued between

¹¹ (i) 200 feet wide road in Sector 66-66-A Junction to N.H. -64 (ii) 300 feet wide road for International Airport to Mix land use Road (iii) Remaining land down stream of Sector 66-66A falling in the area of PSEC (iv) Setting of urban estate Sector-81(v) To connect Mohali International Airport from crossing of Grid Road Sector 80-81 to West Chowck 98/105 and 98-104 (vi) For laying outfall sewer in village Manauli to sewage treatment plant.

11 September 2008 and 24 April 2010 and the awards were announced between 25 May 2009 and 20 October 2010. But the award amount at the rate of 12 *per cent* per annum was paid to the land owners for whole one year without limiting the period to the date of announcement of the awards resulting in excess payment of ₹ 21.78 crore to the land owners.

On this being pointed out (June 2010 and May 2011), the Land Acquisition Collector stated (June, 2010 July and August 2011) that the payments were made as per the rate of land i.e. ₹ 1.50 crore per acre approved by the Cabinet Sub Committee in its meeting held on 3 February 2009 and there was no provision in the decision of the said Committee regarding reducing the 12 *per cent* in case the award is announced before the completion of one year from the date of notification under section 4 of the Act. The reply is not acceptable because 12 *per cent* compensation amount should have been calculated till the date of award as provided under Section 23 of the Act.

Thus, failure of the department to regulate the compensation payments as per provisions in the Act resulted in excess payment of ₹ 21.78 crore to the land owners.

The matter was referred to the Government (July 2010 and September 2011); reply has not been received (December 2011).

IRRIGATION DEPARTMENT

3.1.5 Recoverable amount of Tawan

Money value= ₹ 6.42 crore
Matrix identity = E
Score = 0.35
Weighted value = ₹ 2.25 crore

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

Under the provisions of the Northern India Canal and Drainage Act, 1873 (Act) and the Rules framed thereunder, persons taking water from a canal without permission shall be chargeable (*Tawan*-the penal charges) with a special rate equal to 25 times in addition to the ordinary water rate leviable on the cultural command area. Section 45 of the Act provides that any sum due under the Act and certified by the Divisional Canal Officer (DCO) is recoverable by the Collector from the person liable for the same as arrears of land revenue. The Government, in November 2002 decided to collect the *Tawan* through the DCOs of Irrigation Department instead through Collectors of the Revenue Department. However, in January 2006, this decision was reverted to the original procedure as the DCOs of the Irrigation Department were not successful to collect the *Tawan*.

With a view to ascertain the reasons for negligible and ineffective recovery of *Tawan*, we collected information from five circles comprising 18 divisions¹² of the Irrigation Department and from the concerned District Collectors (DCs).

¹² Lehal I B, Patiala, IB Sangrur, IB Mansa, BML Patiala, Devigarh Division Patiala, Headworks Division Ropar, Sidhwan Canal Division Ludhiana, Canal Division Faridkot, Canal Division Bathinda, Bist Doab Division Jalandhar, Majitha UBDC Division Amritsar, Jandiala UBDC Division Amritsar, UBDC Division Gurdaspur, Madhopur UBDC Division Gurdaspur, Shah Nehar Headworks Division Talwara, Eastern Canal Division Ferozepur, Harike Canal Division Ferozepur and Abohar Canal Division Abohar

We noticed that the DCOs decided 26,388 cases of theft of canal water between July 2006 and December 2010 and levied *Tawan* of ₹ 6.44 crore. The Chief Engineer (Canals), Punjab took up (May 2009) the matter about non-recovery of *Tawan* with the Principal Secretary (Irrigation), who instructed all the DCs to effect recovery of *Tawan*. Against the demand of ₹ 6.44 crore, recovery of ₹ 2.30 lakh only by two divisions¹³ during July 2007 and December 2009 was reported.

When we analysed the reasons for ineffective recovery of *Tawan*, we noticed that the Irrigation Department either did not prepare and supply the *Khataunies* or failed to supply complete informations/records of *Khataunies* to Revenue Department.

When we pointed out (November 2009), the Executive Engineer (*Tawan*) in the office of CE (Canals) stated (March 2010) that the field offices had been asked to coordinate with the respective DCs to effect recovery. Thus, due to ineffective coordination between the Revenue and Irrigation Departments, there was hardly any recovery of *Tawan*.

The matter was referred to the Government (March 2011); reply has not been received (December 2011).

SOCIAL SECURITY AND WOMEN AND CHILD DEVELOPMENT DEPARTMENT

3.1.6 Payments of financial assistance to ineligible persons

Money value= ₹2.30 crore
Matrix identity =B
Score =0.65
Weighted value =₹ 1.50 crore

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

With a view to provide social security, the State Government introduced the Old Age Pension and Financial Assistance to Widows and Destitute Women Scheme, 1968. Under the Old Age Pension Rules, 1968, the Punjab Government grants pension of ₹ 250 per month to the old people of Punjab living in the State for more than three years at the time of submission of application. Men and women who are at least 65 and 60 years old respectively and whose monthly income is less than ₹ 1,000 are eligible for grant of old age pension. In the year 2010-11, there were 18.80 lakh beneficiaries to whom an amount of ₹ 598.07 crore was paid.

a) Ineligible beneficiaries detected by the department

As there were reported cases of ineligible old age pensioners, the State Government directed (October 2008) all the Deputy Commissioners of the districts to arrange to conduct verification by the village sarpanches and patwaris of all the beneficiaries of old age pension to whom such benefits had been allowed after 1 September 2002. The verification in 10 out of the 20 districts was completed (March 2010 to August 2010) and 40,893 ineligible

¹³ Shah Nahar Head Works Division, Talwara and Eastern Canal Division, Ferozepur

beneficiaries of old age pension and financial assistance to widows and destitute women were detected by the department. The Director, Social Security and Women and Child Development, Punjab (Director) issued (June 2010) instructions to all the District Social Security Officers (DSSOs) to stop payment of pension to all the ineligible pensioners and to recover the amount of excess pension paid along with interest.

On the ground that the beneficiaries were not satisfied with the verification conducted by the department, the Council of Ministers, while considering the cases of stoppage of pension, ordered (September 2010) for re-verification of the beneficiaries and not to stop the pension of any person. However, the re-verification of the beneficiaries of old age pension is under process (June 2011).

b) Ineligible beneficiaries detected by Audit

We conducted test check in three out of the 10 districts where the original verification was completed by the department and found that the old age pension was being paid to 1375¹⁴ ineligible persons, out of 160733 cases test checked, which were declared eligible after verification by the department like those having excess land holding, under aged, excess income and sons of the beneficiaries working in Government job/working abroad. The original verification done by the department was deficient and the amount of payment made to the ineligible persons worked out to ₹ 1.73 crore during the period April 2003 to September 2010.

On this being pointed out (October 2010 to January 2011), the DSSOs of SAS Nagar and Gurdaspur stated (November 2010 and January 2011) that the matter would be taken up with the Head Office and the DSSO, Ferozepur stated that reply would be sent after verification.

c) Release of payment despite absence of beneficiaries

We further noticed (October 2010) that in SAS Nagar district, 506 pensioners were found absent during the departmental verification due to the reasons such as (i) address not proper, (ii) not residing in the said address, (iii) shifted to other places and (iv) not appeared before the verification team. In spite of these, 506 cases were included in the list of eligible pensioners and payment of ₹ 10.12 lakh for the period January 2010 to August 2010 was made to them without ensuring correctness of their eligibility etc. On this being pointed out (October 2010), the DSSO, SAS Nagar stated that the matter would be brought to the notice of the Director for further orders.

d) Release of payment to non BPL families

Under the National Family Benefit Scheme, lump sum cash assistance of ₹ 10,000 was to be paid to the below poverty line families (BPL) on the death of the primary bread winner (member of household whose earning contributed substantially to household income) in the age group of 18-65 years. Test

¹⁴ Ferozepur: 728 cases (₹ 0.90 crore), Gurdaspur: 514 cases (₹ 0.65 crore) SAS Nagar : 133 cases (₹ 0.18 crore)

check of the records in three districts¹⁵ disclosed that in 471 cases, payment of ₹ 47.10 lakh was made to the non BPL families during October 2007 to September 2010.

On this being pointed out (October 2010 to January 2011), the DSSO, SAS Nagar stated (October 2010) that the matter would be looked into. The DSSO, Ferozepur stated (December 2010) that the benefit was given to other eligible families after verification as per Government instructions. The DSSO, Gurdaspur stated (January 2011) that benefit was given to other eligible families after getting the verification report from the concerned Child Development Project Officers and getting the below income certificate from the competent authority. These replies are not acceptable because the non BPL families were not eligible for benefit under this scheme in any case.

Thus, due to failure of the officials of the department to verify and ensure the eligibility of persons for pension and other benefits, payments to the tune of ₹ 2.30 crore were made to the ineligible beneficiaries during the period April 2003 to September 2010 in three districts alone.

The matter was referred to the Government (May 2011); reply has not been received (December 2011).

AGRICULTURE DEPARTMENT AND HOUSING AND URBAN DEVELOPMENT DEPARTMENT

3.1.7 Failure to recover departmental charges

Money value= ₹1.18 crore
Matrix identity = E
Score =0.45
Weighted value = ₹ 0.53 crore

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

As per Section 50(1) of the Land Acquisition Act, 1894 (Act), where the provisions of this Act are put in force for the purpose of acquiring land at the cost of any fund controlled or managed by a local authority or of any company, the charges of and incidental to such acquisition shall be defrayed from or by such fund or company. In the case of Industries Department, where land on behalf of local authority, private bodies and companies was acquired, the State Government decided (April 1992) to levy and recover departmental charges at the rate of 14 *per cent* on the cost of land acquired.

Mention was made in paragraph 4.5.1 of the Comptroller and Auditor General's Audit Report (Civil)-Government of Punjab for the year ended 31 March 2007 regarding non levy of departmental charges of ₹ 4.94 crore by the Director, Colonization and Land Acquisition, Punjab, (Director). The amount is yet to be realized and the department stated (May 2011) that they were making efforts to recover the outstanding charges. Few more instances of non-recovery of the departmental charges are discussed below:

a) Test check of records (April 2010) in the office of the Director disclosed

¹⁵ Ferozepur : 314 cases (₹ 31.40 lakh), Gurdaspur : 106 cases (₹ 10.60 lakh) and SAS Nagar : 51 cases (₹ 5.10 lakh)

that the department acquired land measuring 40.33 acres at a cost of ₹ 8.40 crore on behalf of the Punjab State Agricultural Marketing Board (Board) between November 2008 and March 2009 for development of four¹⁶ *mandis* in the State. The departmental charges of ₹ 1.18 crore at the rate of 14 *per cent* of the land cost were included in the four land acquisition awards approved by the Financial Commissioner (Revenue). Though the amount of land acquisition was deposited by the Board between November 2008 and March 2009, the departmental charges of ₹ 1.18 crore were not paid by the Board.

On being pointed out (April 2010), the Director stated (April 2010 and May 2011) that the matter was taken up with the Board, but payment of the departmental charges had not been made so far by the Board. The Secretary of the Board further stated (May 2011) that it had taken up (June 2009) the matter for reducing the charges from 14 to 2 *per cent* with the State Government. The reply is not acceptable as even after two years, the Government has not responded to the request.

Thus, due to protracted correspondence having no effect and abnormal delay in taking decision at the Government level, receipts of ₹ 1.18 crore remained to be recovered by the department.

Money value= ₹0.65crore
Matrix identity = E
Score =0.35
Weighted value =₹ 0.23 crore

b) Similarly, the Land Acquisition Collector (LAC), Greater Mohali Area Development Authority (GMADA), Mohali acquired (January and February 2011) 2.88 acre of land for M/s PACL (a private company) for ₹ 4.68 crore. However, departmental charges amounting to ₹ 65.42 lakh (calculated @ 14 *per cent* of the cost of land) for the acquisition were not levied and recovered from the company. This resulted in loss to the State exchequer to the tune of ₹ 65.42 lakh.

On being pointed out (August 2011), the Chief Administrator, GMADA stated (December 2011) that as no such condition was imposed in the draft award, departmental charges could not be realized from the company and the matter was being referred to Government to take appropriate decision. The reply is not acceptable as the departmental charges were required to be levied and recovered from the company as per provisions of the Act *ibid*.

The matter was referred to the Government (March and September 2011); the reply has not been received (December 2011).

¹⁶ Dharamkot (District Moga), Noor Mehal (District Jalandhar), Patiala and Raikot (District Ludhiana)

PUBLIC WORKS DEPARTMENT (B&R), IRRIGATION DEPARTMENT AND HOUSING AND URBAN DEVELOPMENT DEPARTMENT

3.1.8 Undue favour to the contractors

Money value= ₹1.14 crore
Matrix identity = C
Score = 0.55
Weighted value = ₹ 62.70 lakh

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

The Punjab Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2008 regulate the employment and conditions of service of the building and other construction workers and provides for their safety, health and welfare measures.

The Government vide notification dated 11 November 2008 decided that in case of building or other construction work that has been or is being carried out through contractors, all Government departments, corporations, and local authorities etc., shall deduct a cess at source at the rate of one *per cent* of the approved cost of the work from the bills of the contractors at the time of making payments and to be remitted to the Punjab Construction Workers Welfare Board on or before 10th day of the succeeding month, after deducting the cost of collection, if any, not exceeding one *per cent* of the amount so collected.

Mention was made in paragraph 3.1.8 of the Report (Civil) of the Comptroller and Auditor General of India- Government of Punjab for the year 2009-10 regarding non-deduction of labour cess from the payments made to the contractors by some divisions of the Punjab Mandi Board. Few more instances of non deduction of labour cess are given below:

(a) Scrutiny of records (July 2009 to December 2009) of 11 Public Works and Irrigation divisions (**Appendix 3.2**) revealed that cess amounting to ₹ 2.31 crore at the rate of one *per cent* of the total payments of ₹ 231 crore made to the contractors during December 2008 to April 2009 was not deducted from the contractors' bills.

After this was pointed out by us, an amount of ₹ 1.40 crore (**Appendix 3.2**) was recovered leaving ₹ 91.49 lakh (**Appendix 3.2**) still recoverable.

On this being pointed out (between August 2009 and December 2009), the Executive Engineers (EE) of Ferozepur, Gurdaspur and No.-I Ludhiana divisions stated (August and September 2011) that amount would be recovered from the concerned agencies. The EEs of the other two divisions stated (August 2011) that labour cess would be deducted. Final recovery was awaited (August 2011).

(b) Similarly, in Construction Division No.2, GMADA, Mohali, a sum of ₹22.72 crore was released to a contractor after the issue of notification on which one *per cent* cess amounting to ₹ 22.72 lakh was not deducted.

On being pointed out, the Divisional Engineer, GMADA stated (August 2011) that matter regarding deduction of cess on works allotted prior to 1st October 2008 was being taken up with the competent authority and also stated that as decided (May 2009) by the Chief Engineer, GAMADA, the cess would be borne by GMADA from its own sources. The decision of the CE was not prudent as the contention of the notification was that one *percent* cess was to be recovered from the contractors and not to be borne/paid by the departments.

Thus, failure to deduct the cess of ₹ 1.14 crore amounted to undue favour to the contractors and denial of benefits to the construction workers.

The matter was referred to the Government (April 2010 and May, September 2011), reply has not been received (December 2011)

HEALTH AND FAMILY WELFARE DEPARTMENT

3.1.9 Creation of liability due to non-deduction of Employees Provident Fund contribution

Money value= ₹ 86.12 lakh
Matrix identity =E
Score =0.45
Weighted value =₹ 38.75 lakh

Delayed registration of the District Health Societies and non-deduction of contribution under the Employees Provident Fund and Miscellaneous Provisions Act resulted in creation of liability of ₹ 86.12 lakh

The Employees Provident Fund and Miscellaneous Provisions Act, 1952 (Act)¹⁷ provides that any establishment employing twenty or more persons or class of such establishment which the Central Government may, by notification in the Official Gazette specify in this behalf, is covered under this Act. As per provisions contained in the Employees Provident Fund Scheme, 1952 framed by the Central Government under Section 5 of the Act, an employee of the covered establishment whose emoluments do not exceed ₹ 6500 per month are covered under the scheme.

The employers are required to get them registered with the Regional Provident Fund Commissioner (RPFC) and pay, at the first instance, to the fund both the contributions i.e. contribution payable by themselves and equivalent contribution payable by the employees covered under the scheme at the rate of 12 *per cent* of the emoluments. The contribution paid by the employer on behalf of the member employee is recoverable by means of deduction from wages of the member employee. If timely deductions are not made from the employees' wages, the employer will have to pay both the shares himself, as recovery of arrears of the contribution for the back period from the subsequent wages of the employees is prohibited.

Scrutiny of records of the District Health Societies (DHSs), Jalandhar, Patiala and Bathinda and subsequent information collected from the State Health Society (SHS) and all the 20 DHSs in the State constituted under the National Rural Health Mission (NRHM), revealed that though the SHS and DHSs were established between August 2005 and October 2007, they got themselves registered with RPFC between January 2010 and August 2010 only.

¹⁷ Section 1(3) (b) and 1(5) of the Act

Consequently, the employees' contribution in respect of the employees employed in these societies was not deducted from their salary and both the employer and employees contributions were not deposited with RPFC. The amount of employers' share of contribution for the period 1 April 2008 to 31 March 2010 alone in respect of 2412 employees employed by 19 societies worked out to ₹ 86.12 lakh (*Appendix 3.3*).

On being pointed out (between October 2009 and June 2011), the Managing Director, NRHM stated (May 2011) that they had decided to make payments of arrears of Employees Provident fund on behalf of the employer as well as the employees share for the time being so as to avoid any legal complications and the department would recover the employees' share from the employees in easy installments over a reasonable period. The reply is not in consonance with the provisions of the Act, which prohibits recovery of contribution from the wages of the employees, if timely deduction was not made by the employer.

Thus, delayed registration of the societies with the RPFC and consequent non-deduction of contribution created a liability of ₹ 86.12 lakh.

The matter was referred to the Government (May 2011); the reply is awaited (December 2011).

HOME AFFAIRS AND JUSTICE DEPARTMENT

3.1.10 Incorrect fixation of pay

Money value=₹ 54.79 lakh
Matrix identity =C
Score =0.70
Weighted value =₹ 38.35 lakh

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

As per schedule of General Conversion Table to the Revised Pay Rules, 2009 notified by the Punjab Government in May 2009 and further clarified by the Finance Department in October 2009, the constables and clerks drawing pay in the pre-revised scale of pay of ₹ 3120-5160¹⁸ were to be placed in the revised pay scale of ₹ 5910-20200 plus grade pay of ₹ 1900. Accordingly, the pay of the persons in the Police Department appointed as constables and clerks on or after 1 January 2006, was to be fixed at ₹ 7810 (₹ 5910+grade pay ₹ 1900).

Scrutiny of records (September–December 2010) in the offices of the Commandants, 5th Indian Reserve Battalion (IRB), Amritsar; 7th IRB, Kapurthala; and 80th Battalion, Punjab Armed Police (PAP), Jalandhar, revealed that 908 constables and two clerks were appointed after 1 January 2006. The Drawing & Disbursing Officers (DDOs) of the respective offices fixed the pay at higher stage of ₹ 8140 (Basic pay :₹6240+ grade pay: ₹ 1900) instead of ₹ 7810 (₹ 5910+ grade pay of ₹ 1900) in violation of the clarification issued by the Finance Department. Thus, non-adherence to the instructions of Government in fixing the pay of the constables and clerks by the DDOs resulted in excess payment of ₹ 81.64 lakh during the period from August 2009 to November 2010.

¹⁸ 3120-100-3220-110-3660-120-4260-140-4400-150-5000-160-5160

On being pointed out (December 2010), the Commandant, 80th Battalion (PAP), Jalandhar started making recovery of the excess payment from the salary of the concerned officials from April 2011. Whereas the Commandants of 5th IRB Amritsar and 7th IRB Kapurthala stated (February 2011 and March 2011) that an Anomaly Committee had been constituted by the Government to sort out the anomalies arisen out of the recommendations of 5th Pay Commission and required action would be taken on receipt of report of the Anomaly Committee.

The Director General of Police (DGP) stated (May 2011) that all the Commandants of the respective Battalions had been asked to fix the pay of the constables as per instructions of the Finance Department and effect recovery. Further, the Finance Department revised (June 2011) the pay scales¹⁹ of Constables w.e.f. 1.9.2011. However, an amount of ₹ 26.85 lakh has been recovered by the Commandants, 7th IRB, Kapurthala (₹ 12.07 lakh) and 80th Battalion (PAP), Jalandhar (₹ 14.78 lakh) from the salary of the concerned officials (July 2011). The Commandant, 5th IRB, Amritsar intimated that the recovery would be started from the salary for the month of July 2011 onwards. Hence, the balance amount of ₹ 54.79 lakh was still to be recovered (July 2011). Incidentally, the Commandant of 27th Battalion PAP, Jalandhar fixed the pay of its constables correctly at ₹ 7810 as per the revised pay rules.

The matter was referred to Government (March 2011); the reply is awaited (December 2011).

3.2 Failure of oversight/governance

Government has an obligation to improve the quality of the 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. Some important audit findings about failure of oversight/governance are as under:

HEALTH AND FAMILY WELFARE DEPARTMENT

3.2.1 Incomplete Health Facilities

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

An audit was conducted during December 2010 and May 2011 covering the period April 2009 to March 2011 to study the status of hospital building

¹⁹

Pre-revised scale	Revised scale of pay w.e.f. 1.1.2006			Revised scale w.e.f. 1.9.2011		
3120-5160	Pay Band	Grade Pay	Initial Pay	Pay Band	Grade Pay	Initial Pay
	5910-20200	1900	7810	5910-20200	2000	8240

Money value=₹ 6.64 crore
Matrix identity =D
Score =0.50
Weighted value =₹ 3.32 crore

projects taken up by the Department of Health and Family Welfare by test checking the records in the offices of the Director, Health and Family Welfare, Punjab, (DHFV) and the Managing Director, Punjab Health Systems Corporation, Mohali (PHSC). Our findings are discussed below:

Despite announcements made by the Chief Minister, hospital buildings lay incomplete

a) Mother and Child Specialty Hospital, Peerjain, Fatehgarh Sahib

Based on an announcement by the Chief Minister in December 2004 to construct a Super Specialty Hospital at Peerjain, Fatehgarh Sahib, Punjab Infrastructure Development Board (PIDB) was directed to hire a consultant to assess the feasibility of the project on Public-Private Partnership (PPP) mode. The consultant declared the project as non-feasible in May 2005. Thereafter, the Chief Secretary, put forward an alternative proposal in May 2005 to construct a secondary level 60 bedded Mother and Child Specialty Hospital (MCSH), which was also examined by the consultant in January 2006 and found to be commercially unviable. The consultant suggested that a demand and market assessment study be conducted before the project is taken up.

Scrutiny of the records in the offices of DHFW (October 2008) and PHSC (November 2008) and further study (between September 2009 and July 2010) disclosed that the Administrative Secretaries²⁰, in a meeting, in departure from the recommendations of the consultant, decided (May 2006) to get the MCSH building constructed by the Government through PHSC and to operate it in PPP mode through PIDB. In tune with this decision, the project, estimated for ₹ 7.74 crore²¹ was included in State Annual Plan and funds of ₹ 2.50 crore were released (November 2006) to PHSC. The PHSC, after calling tenders (July 2006), awarded (October 2006) the work of construction of MCSH to a contractor at a cost of ₹ 6.78 crore to be completed by October 2007. Since no further funds were released, the work was stopped (January 2008) after spending ₹ 2.22 crore. The project is lying incomplete as depicted in the pictures below:



Incomplete Mother and Child Specialty Hospital building at Peerjain, Fatehgarh Sahib

²⁰ Financial Commissioner Revenue, Principal Secretary Finance, Secretary Health and Family Welfare, Secretary, Public Works, Special Secretary Social Welfare, Special Secretary Cooperation under the chairmanship of Chief Secretary

²¹ ₹ 6.78 crore for construction and ₹ 0.96 crore for lift, electricity connection, landscaping, etc.

b) Civil Hospital, Nangal

In another instance, the Chief Minister proposed (November 2005) the setting up a hospital at Nangal in a public meeting, which was included in State Annual Plan and the Principal Secretary, Department of Health and Family Welfare (PSHFW) entrusted (February 2006) the work of construction to the PHSC. The hospital estimated (July 2006) for ₹ 5.58 crore, after calling tenders (November 2006) was awarded (January 2007) to a contractor at a cost of ₹ 5.48 crore to be completed by December 2007. Against receipt of ₹ one crore (September 2006), an expenditure of ₹ 1.24 crore was incurred and the construction was stopped (September 2007) for want of further funds.



Incomplete building of Hospital at Nangal

Subsequently, the State Government released ₹ 5.00 crore²² in January 2009 for completion of both the above mentioned hospital buildings against the requirement of ₹ 10.69 crore²³. As these funds were insufficient, therefore, on the recommendations of the PHSC (April 2009), the PSHFW, after obtaining orders (May 2009) from the Chief Minister, handed over (August 2009) the incomplete buildings to PIDB on as is where basis for its completion and operation on PPP mode. The existing agreements of both the works with the contractors were rescinded.

On being asked (between August 2010 and January 2011) about the reasons for taking up the construction of MCSH in departure of the recommendations of the consultant, the PSHFW instead of furnishing the reply, instructed the PHSC to furnish reply. The PHSC stated in May 2011 that the tendering for PPP mode for both the above hospitals was underway with PIDB and further information may be sought from PIDB. These responses reflect the lack of seriousness and coordination among the agencies involved in the project.

Thus, despite announcements made by the CM, the department did not provide sufficient funds and the projects were left incomplete. The vision of the CM to provide specialized health care to the masses was not materialized. Further, this resulted in blockage of funds to the tune of ₹ 3.46 crore on projects that are still awaiting revival in PPP mode (December 2011).

²² ₹ 3.00 crore for MCSH and ₹ 2.00 crore for hospital at Nangal

²³ ₹ 5.66 crore for MCSH and ₹ 5.03 crore for hospital at Nangal including price escalation of ₹ 1.79 crore

c) Community Health Centre, Tripuri, Patiala

The Chief Minister, Punjab made an announcement in July 2007 for the upgradation of Civil Dispensary, Tripuri Town, Patiala, to a 30 bedded Community Health Centre (CHC) by arranging funds from the Pepsu Township Development Board, Rajpura that functions under the chairmanship of Chief Minister himself.

Scrutiny of the records (May 2011) of the Punjab Health Systems Corporation (PHSC) disclosed that the work of construction of CHC was completed at a cost of ₹ 1.85 crore in August 2009. The building was handed over to the Senior Medical Officer, Kauli in December 2009. Further, machinery and equipment valuing ₹ 42.98 lakh was supplied to the CHC. Despite a timely appraisal (June 2009 and August 2009) having been conducted by the PHSC, the posting of requisite manpower, to be made by the Director, Health and Family Welfare, to make the CHC functional was awaited.

We found that this building was lying non-functional as no manpower was posted to the hospital by the DHFW.

d) Primary Health Centre, Kaller Khera, Ferozepur

Government of India provided (2007-08) ₹ 90.00 lakh under the Border Area Development Programme for the construction of a Primary Health Centre (PHC) village Kaller Khera in Ferozepur district.

Scrutiny of the records (December 2010) in the office of the Civil Surgeon, Ferozepur disclosed that the hospital building was completed in March 2009 at a cost of ₹ 90 lakh. The building was handed over to the Senior Medical Officer, CHC, Khuikhera in August 2009. The proposal to recruit manpower for the PHC was presented by the Civil Surgeon to PSHFW in September 2009 and to DHFW in November 2009. However, we found that manpower had not been posted by the DHFW to the PHC. As a result of which, the PHC building was lying non-functional.

On being inquired by Audit, the DHFW intimated (June 2011) that the posts for CHC, Tripuri and PHC, Kaller Khera had been sanctioned in November 2010 and the recruitment was underway. The reply of the DHFW is not acceptable as the recruitment process ought to have been undertaken and completed in synchronization with the completion of both the buildings.

Thus, lack of timely action on the part of DHFW has led to blockage of expenditure to the tune of ₹ 3.18 crore for a period of more than two years.

Conclusion

We observed that improper planning and lack of coordination among different agencies of the Department of Health and Family Welfare led to hospital buildings lying incomplete/unused in the State thereby depriving the masses of the much needed access to health services.

3.2.2 Insufficient creation and mis-management of residential accommodation for medical and para-medical personnel

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

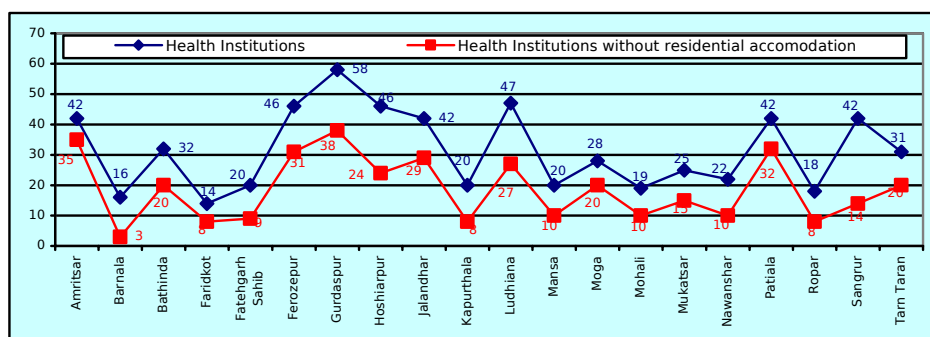
With a view to ascertain the availability of residential accommodation to the medical and paramedical staff in the Department of Health and Family Welfare, an audit was conducted during December 2010 and May 2011 covering the period from April 2009 to March 2011 by test checking the records in all the 446 Primary Health Centres (PHCs), 129 Community Health Centres (CHCs), 35 Sub Divisional Hospitals (SDHs) and 20 District Hospitals (DHs) in the State.

a) Non-availability of residential accommodation

The National Rural Health Mission (NRHM) was launched in Punjab in April 2005 with the objective of bridging the gaps in healthcare facilities. The activities of the NRHM are carried out through a registered society called the “State Health Society, Punjab” (SHS) headed by the Chief Secretary. The SHS reflects its requirement of funds through the Programme Implementation Plans (PIPs) for various activities under NRHM. The Government of India (GOI) provides funds to the SHS on the basis of approved PIP. As per the Indian Public Health Standards (IPHS), adopted under the NRHM, health institutions at each level are required to be equipped with the facility of residential accommodation for the essential medical and paramedical personnel, by March 2012. Further, as per the Punjab Civil Services Rules Volume-I, Part-II, medical and para-medical personnel are to be granted rent free quarters. When no rent-free accommodation is provided, a reasonable house-rent allowance is granted.

Scrutiny of the records disclosed that as much as 59 per cent of the health institutions in the State were not offering residential accommodation to the medical and paramedical personnel. Out of the 630 health institutions, 371 had no residential accommodation. The district-wise position of health institutions without the facility of residential accommodation in the State, is depicted in the chart below:

Chart : District-wise position of health institutions without residential accommodation



Among the districts, non-availability of residential accommodation at Amritsar was worst (83 per cent) followed by Patiala (76 per cent) and Moga (71 per cent).

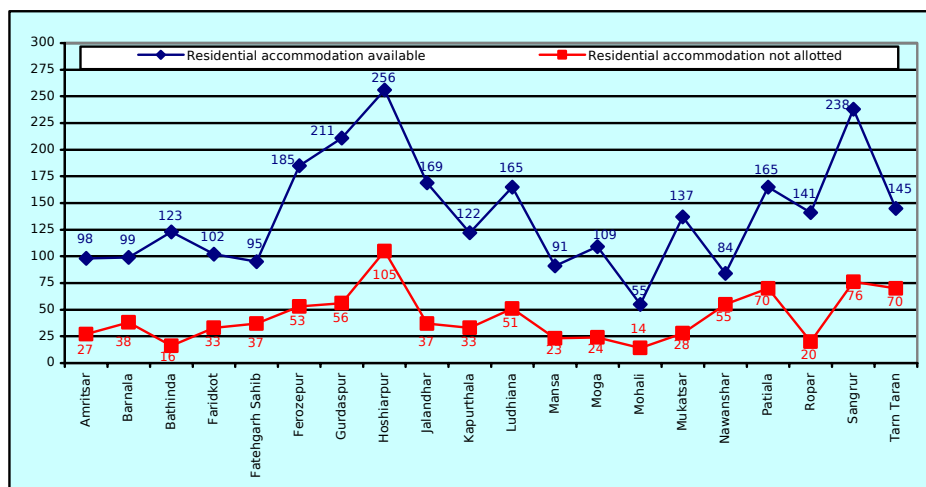
In the State Action Plan of NRHM for the period 2008-12, the SHS recognized the lack of residential facilities in the health institutions for medical and para-medical staff. The SHS also acknowledged its impact on 24 hours delivery services under Reproductive Child Health Programme. But the SHS did not project the budgetary requirement in the PIP for bridging the gap in requirement and availability of residential accommodation in the health institutions.

Further, to mitigate shortage of residential accommodation, the Managing Director, Punjab Health Systems Corporation (PHSC), since its very inception in 1996, neither planned the construction of houses nor approached the SHS for obtaining necessary funds under NRHM despite having been assigned the responsibility of construction and maintenance of residential accommodation for the medical personnel of the State.

b) Failure to allot available residential accommodation

In the remaining 259 health institutions, 2790 units of residential accommodation were available, but despite availability of staff those were drawing house rent allowance and hence could be allotted residential accommodation, 866 (31 per cent) units remained un-allotted to the staff for want of repairs of the buildings. The district-wise position of un-allotted residential accommodation is given in the following chart:

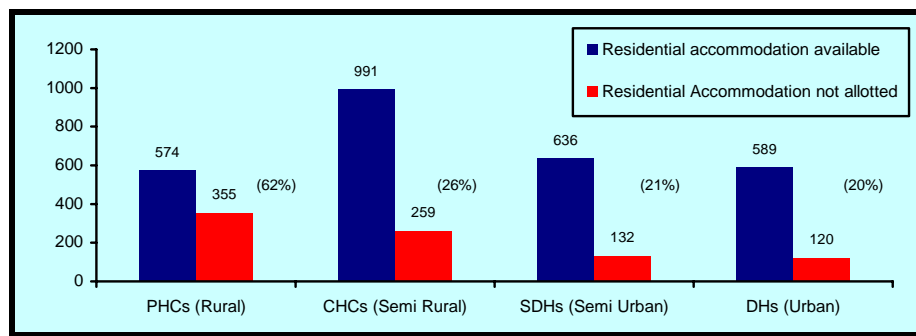
Chart : District-wise position of residential accommodation available but not allotted



As is evident from the above chart, the position of idle residential accommodation was worst in Nawanshahr (65 per cent) followed by Tarn Taran (48 per cent) and Patiala (42 per cent).

The detail of non-allotment of residential accommodation in the PHCs, CHCs, SDHs and DHs against availability is indicated by the bar chart below:

Chart : Health Institution-wise position of non-allotment of residential accommodation

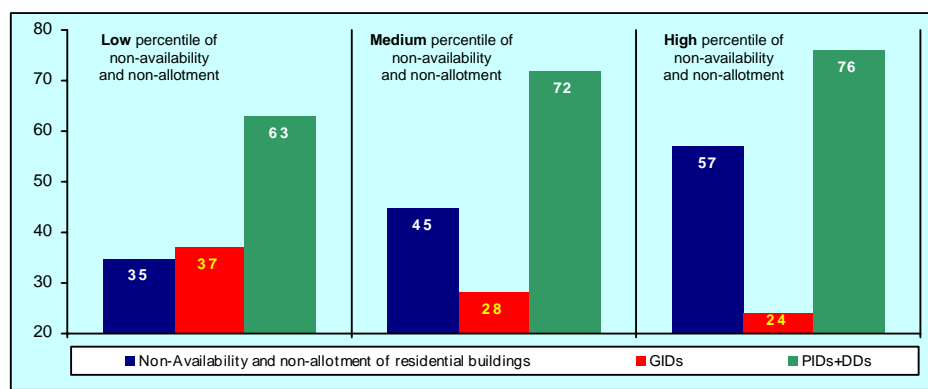


With a low occupancy of 38 *per cent*, the position of allotment of residential accommodation to the medical and para-medical personnel attached to the PHCs in the rural area was dismal. Occupancy of residential units was increasingly better in health institutions located in semi-rural, semi-urban and urban areas.

Reacting to a question in the legislative assembly, the PHSC, responsible for maintenance of the houses attached to the health institutions, prepared (October 2010) a rough cost estimate of ₹ 20.26 crore for renovation and major repairs of residential buildings attached to health institutions. But despite having unspent balance of user charges amounting to ₹ 21.14 crore at the close of March 2010, the much needed renovation and repair of the residential accommodation was not carried out. The Government had to pay avoidable house rent allowance amounting to ₹ 3.44 crore to the staff during the period from April 2009 to March 2011.

As per State Action Plan of the SHS, non-availability of residential accommodation was among the major causes affecting availability of 24 hours delivery services under Reproductive Child Health-II Programme under NRHM. The trend emerging from statistics of Government Institutional Deliveries (GIDs), Private Institutional Deliveries (PIDs) and Domestic Deliveries (DDs) furnished by the department is presented in the chart below:

Chart : Trend of Government Institutional Deliveries, Private Institutional Deliveries and Domestic Deliveries as compared to the extent of non-availability and non-allotment of residential accommodation



As is evident from the chart above, a clear pattern emerged which indicates

that GIDs are less as compared to PIDs and DDs in districts having lesser residential accommodation for medical and para-medical staff.

On being pointed out (April 2011), the Managing Director, NRHM admitted in April 2011 that provision for construction and repair of the houses was not included in the Project Implementation Plan (PIP) that formed the basis of funds to be released under NRHM by GOI to the State. Reasons for this failure, though specifically ascertained by us (August 2011 and January 2012), were not intimated. The PHSC, in May 2011, showed its inability to construct the residential accommodation for medical and paramedical personnel for want of funds. The reply was not tenable, as the PHSC had neither planned for the repair or construction of residential accommodation nor demanded funds.

c) Avoidable expenditure due to inordinate delay in completion

Director, Health and Family Welfare (DHFV) accorded the administrative approval in March 1992, for construction of residential accommodation estimated at ₹ 42.44 lakh for 18 medical and paramedical staff at the Sub-Divisional Hospital, Jagraon under the scheme of revamping of emergency medical services in the State.

Scrutiny of records (September 2007 and October 2009) and further information collected (December 2010) disclosed that the construction started in 1991-92 was stopped in June 2000, after incurring an expenditure of ₹ 37.40 lakh, due to paucity of funds. With the available funds, 90 per cent of the work was completed and to complete the balance work, only ₹ 10.50 lakh was required (December 2004). Despite the fact that Senior Medical Officer, Sub-Divisional Hospital, Jagraon (SMO) requested the DHFV and PHSC repeatedly to make arrangements for completion of the residential accommodation, no funds were provided. At the instance of Audit, the PHSC prepared an estimate for ₹ 54.50 lakh (including ₹ 1.82 lakh for repair of hospital building) and obtained (December 2009) the requisite administrative approval of NRHM to complete the balance work. The PHSC awarded (January 2011) the balance work at a cost of ₹ 48.80 lakh which was completed in July 2011 by incurring an expenditure of ₹ 47.07 lakh²⁴.

Thus, due to non-serious approach of the department, it took 11 years to get the work completed and the Government incurred additional expenditure of ₹ 38.30 lakh and had to pay ₹ 42.43 lakh as house rent allowance in the intervening period.

Conclusion

Lack of priority in construction and repair of the residential accommodation led to non-construction and non-allotment of accommodation to the medical and paramedical personnel. This, in turn had affected round the clock availability of medical and paramedical staff in the health institutions especially in rural areas. It also resulted in avoidable payment of house rent allowance to the health personnel.

²⁴ Expenditure on account of final bill was yet to be booked.

IRRIGATION DEPARTMENT

3.2.3 Wasteful expenditure

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

Money value= ₹1.98 crore
Matrix identity =B
Score =0.65
Weighted value=₹ 1.28 crore

The Sangatpura distributary branching off from the Saraswati feeder in Haryana is an interstate distributary constructed in 1960s. The water was not reaching the tail ends of the distributary and its minors in Punjab for the last 10 years as the head reaches were falling in Haryana and sufficient water was not left in the Punjab portion of the distributary. On 24 March 2008, a joint inspection was carried out at the point of entry of the distributary in Punjab (at RD 72400) by Executive Engineer, Bhakra Main Line Division, Patiala and Executive Engineer, Kaithal Water Supply Division, Kaithal and tail gauge was recorded at 1.5 feet. During joint inspection, it was decided that all out efforts would be made to maintain this supply in future also. To have smooth flow of water up to the tail ends of Sangatpura distributary and its minors, the Planning and the Finance Departments of the Government of Punjab approved (November 2008) the project for restoration of Sangatpura distributary system at an estimated cost of ₹ 2.02 crore. The Irrigation Department released (December 2008) ₹2.02 crore for the restoration work subject to the condition that the Chief Engineer (CE), Canals, Punjab should ensure availability of water in the distributary/minors. The administrative approval accorded by the Irrigation Department (Works Branch) in January 2009 was also subject to the same condition.

During December 2008 and February 2009, CE technically sanctioned five estimates of ₹ 1.97 crore²⁵ for restoration of the Sangatpura distributary system and its minors without ensuring the availability of water. The work of restoration of the distributary/minors started in January 2009, was completed in March 2010 by incurring an expenditure of ₹ 1.98 crore. However, the water was still not reaching the tails of the distributary/minors because the water level as committed in the joint inspection was not maintained by the Haryana State.

Thus, failure of the department to ensure availability of the required quantity of water in the distributary as laid down in the administrative approval before taking up the work had rendered the expenditure of ₹1.98 crore as wasteful.

On being pointed out (May 2010), the EE stated (June 2011) that the Haryana officers were denying the Punjab share and the matter was pursued regularly by the Punjab authorities with Haryana State. The reply is not acceptable as the restoration work was taken up only on the basis of joint inspection held at

²⁵ 1. Restoration of Sangatpura distributary system RD 72400 to 113000-₹ 81.56 lakh; 2. Restoration of Sangatpura distributary system, Taipura minor RD 0 to 20500-₹ 46.42 lakh; 3. Restoration of Sangatpura distributary system, Khanauri minor from RD 89700 to 96300- ₹ 11.83 lakh; 4. Laying underground pipe line for escape channel of Taipura minor out falling into river Ghaggar-₹ 23.84 lakh; 5. Laying underground pipe line for escape channel of Sangatpura distributary out falling into Kaithal drain-₹ 33.24 lakh.

the level of Executive Engineers on 24 March 2008 without obtaining firm commitment at higher level/ Haryana Government.

The matter was referred to the Government (May 2011); reply has not been received (December 2011).

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

3.2.4 Idling of houses

Money value=₹ 1.42 crore
Matrix identity =D
Score =0.45
Weighted value =₹ 0.64 crore

Construction of houses without conducting any demand survey and subsequent encroachments resulted in idling of 203 houses constructed at a cost of ₹ 1.42 crore

The Punjab Housing Development Board (now Punjab Urban Planning and Development Authority (PUDA)) established by the Punjab Government in 1972 to provide shelter to its people of different sections by constructing houses under different schemes. The administrative approval committee of the Board in its meeting held on 9th March 1995 gave approval to set up a social housing colony consisting 1160 houses for the economically weaker sections under the Board's own scheme at Bathinda at a cost of ₹ 8.02 crore. The estimate was technically sanctioned by the Chief Engineer in June 1995 for ₹ 5.71 crore. But no demand survey was conducted before taking up the construction of these houses on the plea that no demand survey was required as scheme was floated on the proposal of the Government.

During test check of records (March 2010), it was noticed that the Divisional Engineer (Civil), PUDA (now Bathinda Development Authority (BDA)) Bathinda, invited tenders in September 1995 for the work of 'Construction of only 203 Economically Weaker Section (EWS) houses at Bathinda' at an estimated cost of ₹ 86.37 lakh. The work was allotted to a contractor at ₹ 86.50 lakh in February 1996 fixing a time limit of 12 months. The civil works were completed in 1996-97 by incurring an expenditure of ₹ 1.20 crore, besides ₹ 14.39 lakh and ₹ 7.29 lakh incurred on internal public health and electrical works, respectively.

As the evidential cost per house was ought to be higher than that valid for an EWS category house, it was decided by the Chief Administrator, PUDA (June 1997) to invite applications treating these houses as LIG houses. Accordingly, applications for these houses were invited in February 1998 fixing the cost of ₹ 1,18,800 per unit. Only four applications were received which were also taken back by the applicants. Even after reducing the cost to ₹ 95,800 in August 1998, the houses could not be sold as the external basic amenities like water supply, sewerage, electricity and other public health services could not be provided in these houses due to encroachments and unauthorized possessions. In July 2003, the Estate Officer, PUDA, Bathinda stated that the unauthorized possessions and encroachments had been removed and further action to dispose of these houses would be taken up after providing basic amenities/facilities.

We noticed (March 2010) that neither the basic facilities had been provided in these houses nor the unauthorized possessions and encroachments had been got removed and allotment of the houses was pending as of May 2011. Thus, due to construction of the houses without conducting demand survey coupled with unauthorized encroachments, the houses could not be sold even after more than 14 years resulting in unfruitful expenditure of ₹ 1.42 crore. The Divisional Engineer (Civil) PUDA, Bathinda while admitting the facts stated (June 2011) that the construction was complete in all respects and the allotment was pending due to encroachments.

The matter was referred to the Government (May 2011); reply has not been received (December 2011).

HEALTH AND FAMILY WELFARE DEPARTMENT

3.2.5 Ineffective implementation of the Rashtriya Arogya Nidhi Scheme instituted for health care of below poverty line people

Money value=Nil
Matrix identity =Nil
Score = 0.00
Weighted value=Nil

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 Government of India

The Punjab Financial Rules²⁶ regulating grant-in-aid (grant) to educational and other institutions, local bodies and cooperative societies lay down that only so much of the grant should be paid during any financial year as is likely to be spent during the year. The Rules further provide that before grant is paid, the sanctioning authority should, as far as possible, insist on obtaining an audited statement of accounts of the body or institution to see that grant is justified and to ensure that previous grant, if any given, was spent for the purpose for which it was intended.

Scrutiny of records in the office of Director, Health and Family Welfare, Punjab, (Director) disclosed that the Government of India (GoI) set up (January 1997) a “National Illness Assistance Fund” renamed in April 2003 as “Rashtriya Arogya Nidhi” (RAN) to provide financial assistance to the Below Poverty Line (BPL) patients to get medical treatment in specified Government hospitals for life threatening diseases/injuries. The scheme was to be funded by the GoI to the extent of 50 *per cent* of the contributions made by the State. To implement the scheme, wide publicity of the scheme was required to be made through print and electronic media so that maximum number of BPL patients could avail the benefits.

It was seen in audit that after a lapse of four years since April 2003 and on receipt of a reminder (June 2007) from GoI, the State Government set up (August 2007) the Punjab Nirogi Society (Society) and released its contribution of ₹ one crore to the Society in January 2008. However, GoI’s contributions of ₹ 50.00 lakh received in March 2008 and May 2008 were

²⁶

Rule 8.14 Punjab Financial Rules Volume-I, Part-I

released to the Society only in July 2008 and January 2009 respectively. The State Government without ensuring the utilization of earlier grant by the Society further released an amount of ₹ one crore in September 2008 and other installment totaling to ₹ 25.00 lakh in December 2010 and February 2011 to the Society. But, GoI did not release its share in the subsequent years due to non-submission of utilization certificate, audit certificate and the list of beneficiaries in respect of its earlier grant. It was observed in audit that only 41 BPL patients could avail the financial benefits to the tune of ₹ 36.48 lakh out of the total grant of ₹ 2.75 crore available with the Society during the period 2007-08 to 2010-11. The balance amount of ₹ 2.95 crore including interest of ₹ 56.40 lakh earned during the years 2007-08 to 2010-11 remained unutilized for over three years with the Society outside the Government account without percolation of the intended benefits to the BPL families. The State also had to forego the matching contribution of ₹ 62.50 lakh²⁷ from GoI due to poor implementation and non-submission of the required documents by the State Government to GoI.

On being pointed out in audit, the Society stated (May 2011) that only specific diseases were covered under the scheme; the funds would be utilized for the eligible BPL families; and whatever the best publicity efforts required had been initiated. The reply is not convincing and based on facts as only meagre amount of ₹ 12000 was spent on publicity (2000 posters) during 2010-11 and wide publicity of the scheme through print and electronic media, as envisaged in the scheme, was not provided.

Thus, due to delay in taking decision with regard to formation of the Society and failure to popularize the scheme, an important scheme for the under privileged has not been effectively implemented in the State despite availability of funds.

The matter was referred to the Government (February 2010); the reply has not been received (December 2011).

3.3 Persistent and pervasive irregularities

An irregularity is considered persistent if it occurs year after year. It is deemed pervasive when 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. Some important audit findings of persistent irregularities are as follows:

²⁷

₹ 50 lakh for the year 2008-09 and ₹ 12.50 lakh for the year 2010-11.

INDUSTRIES AND COMMERCE DEPARTMENT

3.3.1 Inadmissible payment of investment incentive

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

With a view to promoting growth of industry in the State, the Government of Punjab notified the Industrial Policy, 1996 which provided for the grant of various incentives to the new industrial units. The 'Punjab Industrial Incentive Code' (Code) framed under the Industrial Policy, 1996 envisaged that the new industrial units that started commercial production on or after 1 April 1996 in the specified areas were eligible for investment incentive at the rate of 30 *per cent* or 20 *per cent* of their fixed capital investment, subject to the maximum of ₹ 50 lakh or ₹ 30 lakh depending upon the area in which the units were set up. Rule 5.2 of the code provided that in respect of the industrial units which did not have their own land and building, incentive would be allowed, if they had lease/rent deed for the land/building occupied by them for a period of ten years.

Inadmissible payment of investment incentive made to few units which neither had land in their name nor any lease deed executed in their favour was pointed out in paragraph 3.1 (c) (i) of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1997. On examination of this paragraph, the Public Accounts Committee observed (March 2004) that the investment incentive had been given incorrectly and desired to know the person responsible for not scrutinizing the papers thoroughly before sanctioning the incentive. Mention was also made in paragraph 3.3.1 of the Report of the Comptroller and Auditor General of India - Government of Punjab - for the year ended 31 March 2010 regarding payment of investment incentive to ineligible units. But the irregularity continues to persist and a few more instances of payment of inadmissible investment incentive are given below:

Money value= ₹ 1.83 crore
Matrix identity =B
Score =0.80
Weighted value =₹ 1.46lakh

a) Audit scrutiny (December 2010 to January 2011) of records in the office of Director of Industries and Commerce, Punjab, (Director) disclosed that, in contravention of provisions of the code, investment incentive of ₹ 1.83 crore was given during March 2010 to December 2010 to 12 industrial units (**Appendix 3.4**), which neither had land in their name nor any lease deeds executed in their favour for the prescribed period of ten years.

The reply of the department in respect of the above mentioned cases was not acceptable as in none of the cases, the land was in the name of the units and payment of incentive was made in violation of the Rule 5.2 of the Industrial Incentive Code, 1996.

b) As per the Industrial Policy and Industrial Code 1996, Export Oriented Unit (EOU) means an industrial unit exporting at least 25 *per cent* of the annual production for a minimum period of five years from the date of

production in the markets outside India with minimum value addition of 33 *per cent* against direct receipt of foreign exchange or receipt through merchant exporters including Punjab Small Industries and Export Corporation or any other trading house and registered as such with the Department of Industries, Punjab.

Scrutiny of records revealed that an industrial unit of Mukatsar was registered as EOU with the department on 25 January 2002. While processing the case for grant of investment incentive to this unit, before a meeting of Committee in which the investment incentive to export oriented units was to be decided, the Director sought (June 2009) confirmation from the Branch Manager, State Bank of India, Mukatsar as to whether the unit was exporting the required minimum 25 *per cent* of its annual production. The bank, however, altogether omitted to reply this specific point. In spite of this, the unit was paid (March 2011) investment incentive of ₹ 25.63 lakh without fulfilling the basic condition.

Thus, payment of investment incentive of ₹ 25.63 lakh to the unit without any evidence/confirmation of export of at least 25 *per cent* of the annual production was inadmissible.

Money value= ₹ 62.20 lakh
Matrix identity =B
Score =0.65
Weighted value =₹ 40.43 lakh

c) We found that another unit located at Village Mubarikpur, Dear Bassi falling in category 'B'²⁸ was allowed (July 2010) investment incentive of ₹ 47.26 lakh calculated at the rate of 30 *per cent* of the fixed capital investment of ₹ 157.55 lakh instead of 20 *per cent* subject to maximum of ₹ 30 lakh as the unit was located in category 'B' area. This resulted in excess payment of investment incentive of ₹ 17.26 lakh. On this being pointed out (November 2010), no reply was furnished by the Director.

d) As per the Code, commercial production means commencement of commercial sale of product for which the unit was set up. It was noticed that a cold storage unit was allowed investment incentive of ₹ 19.31 lakh in March 2011 on its fixed capital investment of ₹ 96.54 lakh, which was inadmissible as this unit was not a manufacturing/production unit and was only providing storage facilities for preserving the food articles. As such, payment of ₹ 19.31 lakh of incentive to the cold storage unit was violative of the provisions of the industrial code.

Thus, the persistent non-adherence of the provisions of the code resulted in inadmissible payment of investment incentive of ₹ 2.45 crore.

The matter was referred to the Government (May 2011 and July 2011); reply has not been received (December 2011).

²⁸ For the purpose of incentives, the State has been divided in three categories viz. A, B and C. Investment incentive is granted at the rate of 30 *per cent* to the eligible units falling in 'A' category area and at the rate of 20 *per cent* in 'B' category area.

HEALTH AND FAMILY WELFARE DEPARTMENT

3.3.2 Idle medical equipment

Money value= ₹ 1.59 crore
Matrix identity =D
Score =0.45
Weighted value=₹ 0.72 lakh

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 seven to 87 months

Rule 15.2 (b) of the Punjab Financial Rule Volume-I provides that purchases must be made in most economical manner in accordance with the definite requirement of the public service. Mention regarding idling of equipments in the Health and Family Welfare Department was made in the Civil Audit Reports for the year ended 2006-07 (paragraphs 4.2.3 and 4.4.5) and for the year ended 2008-09 (paragraph 2.3.2 and 2.3.3).

Few more instances of medical equipments which remained idle since their installation at various health institutions for want of skilled manpower noticed during test check of records (September-December 2010) of 20 District Hospitals, 35 Sub-divisional Hospitals, 129 Community Health Centres and 446 Primary Health Centres and subsequent information collected up to June 2011, are given below:-

a) The Punjab Health Systems Corporation, (PHSC) purchased X-ray machine and CAD Pneumatic drill in December 2009 and June 2010 respectively at a cost of ₹ 23.04 lakh and supplied the same to the Trauma Centre, Civil Hospital, Pathankot.

The Government of India supplied Intensive Care Unit (ICU) ventilator and two Anesthesia machines with monitor costing ₹ 43.16 lakh to the Trauma Centre, Pathankot in May 2009 and November 2009 and one ICU ventilator costing ₹ 12.79 lakh to the Trauma Centre, Amritsar in July 2009.

It was, noticed by us that all these equipments costing ₹ 78.99 lakh were lying idle for the period ranging from 12 to 25 months (June 2011) for want of skilled staff to operate these machines.

On being pointed out, the Senior Medical Officer, Civil Hospital, Pathankot stated (June 2011) that the machinery had been installed between September 2009 and April 2011 and that the matter had been taken up with the higher authorities for posting of skilled staff. The PHSC intimated (June 2011) that the ICU ventilator was lying idle at the Trauma Centre, Amritsar for want of posting of Anesthetist.

b) In Civil Hospital, Gurdaspur machinery and equipments costing ₹ 44.63 lakh purchased during July 2008 to September 2008 for the special scheme for border area and supplied to various health institutions, were lying idle for want of skilled manpower for the last 33 months.

On being asked, the Civil Surgeon, Gurdaspur stated (June 2011) that the matter would be taken up with the higher authorities for posting of skilled staff.

c) The machinery and equipments costing ₹ 34.95 lakh supplied by PHSC to the various health centres between May 2002 and October 2010 were lying idle for want of skilled staff or non-repair for the period ranging from seven to 87 months.

On being pointed out, the Assistant Director, PHSC stated (June 2011) that the equipments were non-functional temporarily due to non-availability of appropriate staff and the Principal Secretary, Health and Family Welfare and Director, Health Services had been requested time and again to depute the required staff as PHSC did not handle the posting and transfer of Doctors and paramedical staff.

Replies furnished in all the above mentioned cases are not acceptable as it was for the department to ensure availability of the staff required to operate the equipment and get the machinery repaired in time. Thus, due to poor planning to procure the equipment without ensuring availability of the skilled manpower and failure to get the equipment repaired in time resulted in idling of equipment worth ₹ 1.59 crore for the period ranging from seven months to 87 months, besides denial of benefits to the patients.

The matter was referred to Government (July 2011), reply is awaited (December 2011).

