Chapter-4

Audit of transactions

4.1 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:

PUBLIC WORKS DEPARTMENT (BUILDINGS AND ROADS)

4.1.1 Extra payment

Inclusion of price adjustment clause in a lump sum contract against the spirit of PWD code/financial rules resulted in extra payment of ₹5.74 crore to contractor

Para 2.62 of Public Works Department (PWD) Code provides that contracts may be of three kinds, viz. lump sum, scheduled and a combination of these two. Rule 7.100 of Departmental Financial Rules (DFR) provides that in a lump sum contract, the contractor agrees to execute a complete work, with all its contingencies in accordance with the drawings and specifications for a fixed sum.

Audit of office of the Executive Engineers[1] of PWD revealed that five works for construction of approaches to Road over Bridge (ROB) as tabulated in ***Appendix-4.1***, were awarded at a cost of ₹ 111.51 crore on lump sum contract basis and were completed with a delay of eight to thirty months at a cost of ₹ 123.60 crore[2]. The excess payment of ₹ 12.09 crore from lump sum contract price included price escalation of ₹ 5.74 crore (as shown in ***Appendix-4.1***) within the stipulated period, ₹ 4.57 crore after the stipulated period and ₹ 1.78 crore on account of additions and alterations.

Further scrutiny of records pertaining to the finalisation of agreements revealed that clause 13 and sub-clause 13.4 which was included in the

[1] Executive Engineers (i) Central Works Division, PWD Bathinda (ii) Provincial Division, PWD Jalandhar.

[2] ₹ 46.96 crore + ₹ 28.38 crore + ₹ 48.26 crore =₹ 123.60 crore.

instructions to bidders that the lump sum bid price quoted by the bidder for work was subject to adjustment during the performance of the contract, in accordance with the provisions of clause 47 of the conditions of contract, which states that contract price shall be adjusted for increase or decrease in rates and prices of labour, materials, fuels and lubricants.

The addition of the price adjustment clause in the conditions of lump sum contract completed within the period of stipulated date was not in consonance with the provisions and spirit of PWD Code and DFR which resulted in extra payment of ₹ 5.74 crore on account of price escalation.

On this being pointed out, (March 2012) the department stated (June 2012) that in traditional lump sum contracts, the clause of price escalation was not inserted and contractor executed the work for a fixed price. The contracts having no price adjustment clause usually led to termination of contracts due to price rise causing loss to both agencies. The clause was necessary to get competitive price and to safeguard the ultimate interest of the Government.

The reply is not acceptable as the addition of price adjustment clause in lump sum contracts to be completed within the stipulated date had not safeguarded the Government interest rather it led to extra burden to the tune of ₹ 5.74 crore on the State exchequer.

The matter was referred to the Government in March 2012; reply has not been received (December 2012).

IRRIGATION DEPARTMENT

4.1.2 Delay in processing of tenders

Non approval of tenders within validity period and delay in retendering led to extra/avoidable expenditure of ₹ 2.17 crore

In order to overcome the problems of frequent silting/scouring and seepage losses of unlined channels, the Government of Punjab (GoP), Department of Irrigation, accorded (September 2006) administrative approval of ₹ 40.91 crore for the work of lining of 74 Km channels of Ladhuka distributary system in district Ferozepur and assigned the work to the Superintending Engineer (SE) Lining Circle, Bathinda having charge of three[3] divisions. The tenders with validity of 90 days from the date of opening were called (October 2006) for the work of Ladhuka Distributary (RD 0-181000) with the scheduled receipt and opening on 17 November 2006 which was later extended and the tenders were opened on 20 December 2006.

Audit of tenders received for 43 slices (RD 112500-181000) of lining work allotted to Canal Lining Division, Rampura Phul, revealed that the SE submitted (25 January 2007) tender proposals of only 19 slices to the Chief Engineer (CE) for approval of rates. The CE intimated (8 February 2007) the SE that even after a lapse of two months from the date of calling tenders,

[3] Canal Lining Division No. 1 and 2 Bathinda and Canal Lining Division, Rampura Phul.

the tender proposals for all the 43 slices were not received and the proposals received were incomplete. He further stated that the tendering process was very slow and careless and directed to process the cases within the validity period of 90 days or else the tender would have to be recalled for which the officer concerned would be held responsible. The tender proposals for all the slices of work were again submitted (4 February to 17 March 2007) by the SE to the CE for approval. The CE took six months to intimate (September 2007) the SE that the tender approval committee of Chief Engineers had raised observations on the tender quoted rates which included supply of polythene film by the contractors. As per instructions, the supply of polythene film was to be made by the department otherwise prior permission of Administrative Department and Finance Department of the State was required. Due to lack of coordination between the CE and SE, the files relating to tender cases remained in the CE office for another 15 months and were collected only in December 2008 by an official of the field office of the Canal Lining Division No. 2 Bathinda.

After delay of two years tenders were re-invited (January 2009) for 43 slices and tendered cost received for the work of 32 slices was increased to ₹ 6.23 crore against the original tendered cost of ₹ 4.06 crore resulting in extra expenditure of ₹ 2.17 crore. The work was completed between February 2009 and September 2011. The slackness in processing the tenders and non-approval of rates by the CE within validity period and non-perusal of approval from the CE office by the SE for 21 months resulted in extra avoidable expenditure of ₹ 2.17 crore.

On this being pointed out (May 2009 and June 2011), the CE admitted (July 2011) the lapse and stated that generally the tender documents were received and sent by hand after approval, but nobody from the field office came to collect these tender cases for compliance to the objections raised by the Committee of CEs. Thus, laxity in follow-up by SE/Executive Engineer and non-approval of tenders by the CE within the validity period led to an extra expenditure of ₹ 2.17 crore to the Government exchequer.

The matter was referred to the Government in August 2012; reply has not been received (December 2012).

PUBLIC WORKS DEPARTMENT (BUILDINGS AND ROADS)

4.1.3 Avoidable expenditure due to execution of extra work

Award of road over bridge works without obtaining prior approval of drawing/design from Railways led to execution of extra work of ₹ 1.34 crore

In order to overcome the hardship to public from traffic chaos and undue delays at manned railway level road crossing number 139/3 on Bathinda-Ambala rail line, 242/2 on Bathinda-Delhi rail line (in Bathinda) and S-3 on Jalandhar-Nakodar rail line (in Jalandhar City), the construction of road over bridge was decided in 2003-04 and 2006-07. The construction work of approaches of road over bridge (ROB) upto railway territory was to be executed by Punjab Public Works Department (PWD), the Central Works Division, Bathinda, Provincial Division PWD Jalandhar, after taking concurrence of Northern Railway. The railway portion of ROB was to be constructed by the Railway authorities. The tenders for construction of approaches to ROB (excluding railway portion) were invited for Bathinda (June 2006) and for Jalandhar (January 2008) and the works were allotted (October 2006 and April 2008) at cost of ₹ 43.06 crore and ₹ 42.60 crore respectively.

Examination of record of estimates, allotment, correspondence files and final bills of contractors revealed that during the course of construction work of approaches of ROB it was noticed (March 2007 and December 2008) that the PWD started the construction work without obtaining the prior approval of drawings from the Railway authorities. During execution a difference of 55.858 metre occurred in the length of railway's portion of construction as per PWD allotment of work, as given in **Table 4.1**.

Table 4.1 : Excess work executed by PWD

(Metre)

ROB No.	Length of railway portion as per PWD estimate	Length of railways portion as per Railway norms	Excess length of obligatory work executed by PWD
139/3	40.910	28.272	12.638
242/2	57.870	24.600	33.270
S-3	33.550	23.600	9.950
Total	**132.330**	**76.472**	**55.858**

Source: Departmental data

The request (March 2007) by the Executive Engineer, Central Works Division, Bathinda to the Railways, to prepare profile sketch in accordance with the drawings submitted by consultant, was turned down by the Railways in the same month with the remarks that the distance between common piers was kept as per Railway norms of keeping one future railway track on either side of existing track. The confirmation of alignment in a joint inspection for ROB S-3 at Jalandhar-Nakodar Rail line was accorded (May 2008) by Railways but the PWD's assumed distance of 33.55 metre between the common piers was not accepted. The Railways stated (December 2008) that it was not mandatory to construct the bridge in the entire railway boundary; it may extend beyond the railway boundary or could be restricted, depending upon the space required for probable future extension.

The construction work of approaches of ROBs with additional length of 55.858 metre was completed by PWD (June and October 2009) which included cost of ₹ 1.34 crore of obligatory span work. Non approval of design and drawings from the Railway authorities before award of work by PWD resulted in extra execution of 55.858 metre span work and incurring avoidable expenditure of ₹ 1.34[4] crore.

On this being pointed out (May 2011-March 2012), the department stated (June 2012) that extra length of approaches to ROB had to be

[4] 1. ROB No. 139/3 & 242/2 = ₹ 82.13 lakh
2. ROB No. S-3 = ₹ 52.24 lakh
Total = ₹ 134.37 lakh

constructed in order to compensate for reduction in length of railway portion and as it was not included in the original scope of work, the variation on account of increase in the length of approaches were subsequently approved by the competent authority. Reply is not convincing as extra length of 55.858 metre approaches of ROB than the originally approved was constrained to be constructed by PWD due to allotment of work with lesser scope and without approval of drawings/design from Railways regarding the exact length of line to be constructed by railways.

The matter was referred to the Government in March 2012; reply has not been received (December 2012).

CIVIL AVIATION DEPARTMENT

4.1.4 Late announcement of award led to extra payment

Delay in issue of declaration under Section 6 and consequential delay in announcement of award, coupled with delayed demand of funds by Director Civil Aviation resulted in avoidable extra payment of ₹0.94 crore to land owners on account of additional compensation

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 would need 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, is to be paid to the land owners.

Audit of the office of the Director, Civil Aviation, Punjab, Chandigarh (August 2011) revealed that the Secretary to Government of Punjab, Department of Civil Aviation (Secretary) issued notification under Section 4 of the Act on 4 October 2007 for acquiring additional land of 43 *acres* 5 *kanal* 1 *marla* to upgrade the International Airport Amritsar, whereas, the declaration under Section 6 (42 *acres* 4 *kanal* 11 *marla*) was issued by the Secretary on 25 July 2008 (instead of 3 April 2007) with a delay of 3 months and 21 days.

The Land Acquisition Collector (LAC) announced award of ₹ 12.27 crore (including additional compensation of ₹ 1.12 crore for a period of 13 months and 3 days) on 7 November 2008[5] with an overall delay of one month and three days from the due date (3 October 2008) owing to delayed issue of declaration under Section 6. But, despite having provision of ₹ 20 crore in the revised estimates, the Finance Department (FD) could not release funds and deferred (February 2009) the issue to the next financial year i.e. 2009-10,

[5] 4 months 14 days after the issuance of declaration under section 6 of the Act.

as the demand for the requisite funds was stated (January 2013) to have been received late (29 January 2009) in FD from the Director. However, on receipt of funds of ₹ 12.27 crore in July 2009, the LAC announced (31 August 2009) the revised award of land (42 *acre* 4 *kanal* 5 *marla*)[6] of ₹ 13.10 crore (including additional compensation of ₹ 1.97 crore for the period from 4 October 2007 to 31 August 2009). The balance funds of ₹ 0.83 crore were received in August 2010.

Thus, late announcement of award due to delayed issue of declaration under Section 6, coupled with late demand of funds by the Director from FD resulted in an extra payment of ₹ 0.94 crore[7] to the landowners on account of additional compensation at the rate of 12 *per cent* for the period from 4 October 2008 to 31 August 2009, which was avoidable.

On this being pointed out by Audit (August 2011), the Director stated (April 2012) that the department was in no way responsible for the delay in getting the funds as on receipt of approval from Planning Department, the case was referred to FD for release of requisite funds. As regards delayed issue of declaration under Section 6, the department attributed (August 2012) it to the permissible time of one year as per the Act. The reply of the department is not acceptable as the Director did not take cognizance of the new policy (December 2006) vide which the time of declaration under Section 6 was reduced to six months and it was the late demand of funds from FD by the Director which delayed the announcement of award by LAC involving extra avoidable payment of ₹ 0.94 crore to land owners.

The matter was referred (March 2012) to Government; the reply is awaited (December 2012).

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

4.1.5 Excess payment to land owners

Failure of the department to regulate the compensation payments as per provisions of the Land Acquisition Act resulted in excess payment of ₹ 31.57 lakh to the land owners

Section 23 (1-A) of the Land Acquisition Act, 1894 (Act) provides for payment of interest at the rate of 12 *per cent* per annum on the market value of

6 Though the measurement of land mentioned in the notification under Section 4, declaration under Section 6 and in the Award (31.8.2009) do not tally with each other, but the department stated (June 2012) to have actually acquired land measuring 42 *acre* 4 *kanal* 5 *marla* for the purpose after doing the correction in the area of *khasra*.

7

(Amount in ₹)

Total additional compensation paid as per final award dated 31.8.2009 @ 12 *per cent* (697 days)	Admissible additional compensation @ 12 *per cent* (4.10.2007 to 3.10.2008) (365 days)	Excess amount of additional compensation@ 12 *per cent* (4.10.2008 to 31.08.2009) (332 days)
1,96,51,015	1,02,82,504	93,68,511

the land 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, to the land owners.

Audit of office of the Land Acquisition Collector (LAC) (June 2012), Greater Mohali Area Development Authority, Mohali revealed that land measuring 18.8874 acre was acquired (April 2011 and June 2011) for various purposes[8] in district SAS Nagar (Mohali). On the recommendations of the District Land Price Fixation Committee, the Cabinet Sub Committee in its meeting held on 13 April 2011, fixed the rate at ₹ 1.50 crore per acre (including 30 *per cent* solatium[9]) for private land and ₹ 1.10 crore per acre for Panchayat land. Both the rates fixed by the Committee also included 12 *per cent* per annum additional 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.

Audit noticed that the notifications under Section 4 and Section 6 of the Land Acquisition Act, 1894 were issued on 19 May 2010 and 18 November 2010, and the awards were announced on 22 April 2011 (Award No. 515) and 13 June 2011 (Award No. 517) respectively. But the additional amount at the rate of 12 *per cent* per annum (included in the award amount) was paid to the land owners for one year, without limiting the period to the date of announcement of the awards resulting in excess payment of ₹ 31.57 lakh to the land owners (***Appendix-4.2***).

On this being pointed out (June 2012), the LAC stated (June 2012) that the reply would be submitted after scrutinizing the records. Further reply of the department is awaited (December 2012).

The matter was referred to the Government (August 2012); reply has not been received (December 2012).

4.2 Failure of oversight/governance

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

[8]

Award No. 515 Dated 22.04.11	14.4124 acre for construction of 100' wide grid road between Sectors 99/100 and 104 and western side of the railway line of Sector 104 in villages Dhurali, Saneta and Sukhgarh.
Award No. 517 Dated 13.06.11	4.475 acre for setting up of Graveyard in village Balongi.

[9] 'Solatium' means compensation to a person for non-financial disadvantage resulting from the necessity of the person to relocate from his or her land as a result of the acquisition.

CIVIL AVIATION DEPARTMENT

4.2.1 Avoidable payment of interest

Failure of the Director Civil Aviation to recover the amount of ₹23.80 crore paid towards cost of the land already acquired and to deposit the same in Government account within one month of its withdrawal deprived the State Government to save interest of ₹7.02 crore paid on borrowings

As per Standing Order[10] under the Land Acquisition Act, 1894, the amounts remaining undisbursed shall, over and above the actual requirements, be refunded at once to the credit of Government. In no circumstances whatsoever should more than one month be allowed to elapse between the date on which the money is drawn from the treasury and the disposal of the undisbursed balance.

Audit of the records (September 2011) of the Director, Civil Aviation, Punjab (Director) disclosed that the Land Acquisition Collector, Mohali (LAC) announced (April 2008) an award of ₹ 460.88 crore for acquiring land measuring 305 *acre*, 7 *kanal* and 17 *marla* for setting up of an International Civil Air Terminal at Mohali. Accordingly, funds amounting to ₹ 460.88 crore[11] were released to LAC between March 2008 and February 2011.

The LAC disbursed ₹ 460.88 crore to the land owners towards the cost of land measuring 305 *acres*, 7 *kanal* and 17 *marla*. Of which, the amount of ₹ 23.80 crore pertaining to the land measuring 15 a*cre*, 6 *kanal* 18 *marla* was not required to be disbursed due to the reason that this piece of land had already been acquired[12]. Due to non-updation of revenue records, the same land was again included in the award announced in April 2008. Therefore, the LAC recovered ₹ 20.84 crore from the land owners which were stated (September 2012) to be lying in the current accounts[13] of LAC. The balance amount of ₹ 2.96 crore was still to be recovered from the land owners (December 2012). Hence, the amount of ₹ 23.80 crore not required for disbursement, remained outside the Government account since April 2008.

On this being pointed out by Audit (September 2011), the Secretary, Civil Aviation took up (December 2011 and May 2012) the matter with LAC for refund of undisbursed amount and denotification of the already acquired land**.** Accordingly, the LAC initiated (October 2012) the process of denotification and a sum of ₹ 20.84 crore was refunded to treasury between October 2012 and November 2012.

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10 Para 75(1) of the Financial Commissioner's Standing Order No. 28 issued in June 1999 and amended lately in April 2008 under the Land Acquisition Act, 1894.

11 ₹ 300 crore (March 2008), ₹ 160 crore (April 2008) and ₹ 0.88 crore (February 2011).

12 *46 kanal 11 marla* for Air Force Station, Chandigarh in October 1967 and February 1969 and *80 kanal 7 marla* for Civil Aviation Department in January 1988.

13 Punjab National Bank (A/c No. 1155002100021118) and HDFC Bank (A/c No. 13072320000524) operated by LAC.

Thus, non-ensuring the title of land by LAC before announcing the award coupled with the failure of Director to get the disbursed amount of ₹ 23.80 crore recovered and credited into Government account deprived the State Government usage of the money and the interest amounting to ₹ 7.02 crore paid on these borrowings from June 2008 to March 2012, could have been avoided ***(Appendix-4.3).***

The matter was referred (May 2012) to Government; the reply is awaited (December 2012).

WATER SUPPLY & SANITATION DEPARTMENT

4.2.2 Non achievement of objectives of the scheme

Water supply schemes augmented 32 to 44 months earlier at a cost of ₹ 2.90 crore were not used by the intended beneficiaries of the scheme

State Government raised (November 2006) a loan of ₹ 41.24 crore from the National Bank for Agriculture and Rural Development (NABARD) for augmentation, bifurcation and restoration of the existing rural water supply schemes to overcome the short/unsatisfactory potable water conditions in 123 villages of district Ferozepur where the existing water supply schemes were not adequate to cater to the daily needs of villages due to increase in population and improved standard of living of villagers. On receipt of loan, the State Government accorded (July 2007) the administrative approval for ₹ 48.51 crore[14].

Audit (November 2011 and January 2012) of seven schemes[15] (covering 25 villages) implemented by Executive Engineers, Water Supply & Sanitation Divisions Fazilka and Ferozepur-I (EEs) revealed that these schemes were designed to provide 5727 private connections on completion. The work in respect of all seven schemes were completed and commissioned between March 2009 and March 2010 at a cost of ₹ 2.90 crore. Despite the instructions of the department that 70 *per cent* private connections be provided within three months of commissioning of the schemes, the EEs provided 732 private connections (13 *per cent*) as of December 2012.

The Department attributed the shortfall in providing private connections to the poor financial condition of the villagers in this border area, which is contrary to the plea of improved standard of living of villagers taken in the project report for approval of loan from NABARD.

The department was required to put in synchronized efforts to encourage the Gram Panchayats to become instrumental in getting the private connections installed and educate the villagers about the benefits of potable water, especially when the work of augmenting the water supply schemes was accomplished at a cost of ₹ 2.90 crore 32 to 44 months earlier.

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14 NABARD loan: ₹ 41.24 crore + State share: 7.27 crore.

15 i) Ghattiawali Bodla & ii) Mohar Khiva of Fazilka Division and iii) Habibwal, iv) Chur Khilchi, v) Alphu, vi) Palla Megha and vii) Dullewala of Ferozepur-I Division.

The matter was referred to the Government (September 2012); reply has not been received (December 2012)

PUBLIC WORKS DEPARTMENT (BUILDINGS AND ROADS)

4.2.3 Non adherence to bid and contractual instructions led to extra payment

Irregular payment of ₹1.78 crore on items of works not included in DNIT/bill of quantities and in allotment of work to contractor

The Government of Punjab, Public Works Department (PWD), accorded (June 2007) administrative approval of ₹ 47.53 crore and subsequently revised (August 2009) to ₹ 54.40 crore for reconstruction of residential quarters, dispensary, school, PWD rest house and store at Rajpura Colony, Patiala under the Optimum Utilisation of Vacant Government Land (OUVGL) scheme. The site was changed (30 June 2009) by the Deputy Commissioner, Patiala without assigning any reasons. The Chief Engineer (PWD) accorded (September 2009) technical sanction of ₹ 21.86 crore for construction of 332 No. Type-V residential quarters at Ghalorui Gate, instead of at Rajpura colony.

Bids for the work were invited in September 2009. Clause 7 of the instruction to bidders (ITB) provided that the bidder, at their own responsibility and risk, was encouraged to visit and examine the site of work and its surroundings to obtain all information that was necessary for preparing the bid documents and entering into a contract for construction of the works and to reassure himself at his own cost regarding the soil properties at the site, for which employer would not be responsible for any variation in soil strata, from that given in bid document. Clause 8.2 of ITB also provided that the bidder was expected to examine carefully all instructions of contract, contract data, forms, terms, technical specifications, bill of quantities (BOQ) etc., in the Bid Document and failure to comply with the requirements of Bid Documents would be at bidder's own risk. Further, clause 9.2 provided that the bidder or his representative was to attend a pre-bid meeting to clarify issues on any matter that may be raised at that stage.

Audit of records (August 2011) of Executive Engineer, Provincial Division No-I, PWD (B&R), Patiala revealed that a pre-bid meeting was called on 7 October 2009 but no bidder turned up to attend the meeting. After examination of bid documents, the work of construction was awarded (November 2009) at a cost of ₹ 21.70 crore with a time limit of 12 months by executing (December 2009) an agreement. The contractor after allotment of work and execution of agreement, intimated (December 2009) that almost 50 to 60 *per cent* of the site of construction was under sewage water/sludge, which at places was 5-6 feet deep. In order to start the work, the contractor requested the department to approve the rates for construction of open drain along the houses who discharged their waste water in the site, pumping out of sewage from the site and removal of sludge, as these items were not in the contract agreement and rate for dewatering[16], removal of sludge[17], earth fillings[18] and compaction of earth with road rolling[19] were retrospectively approved (June and August 2010). An amount of ₹ 1.78 crore was paid (November 2011) to contractor for extra items which were neither added by the Department in the BOQ during initial survey of the site and preparation of DNIT nor were pointed out by the contractor in pre-bid meeting, as required under the provisions of the ITB.

On this being pointing out (August 2011), the department stated (June 2012) that the site was changed on 30.06.2009 and estimate for the work was submitted during that period, due to urgency in starting the work, the exact quantity of sludge could not be estimated/ascertained during preparation of BOQ. On actual execution of work, the agency was allowed extra rates for extra items, which was a necessary requirement.

The reply of the department is not acceptable as when the site conditions were in the knowledge of the department, reasons for not ascertaining the exact quantities of slush, dewatering, earth filling, etc. and not putting these in the BOQ is against the spirit and provisions of the ITB and of contract agreement. Failure of the bidder on the site conditions/soil strata and non-attending pre-bid meeting does not relieve him from the risk and liability of ITB provisions and payment for extra items of work, not part of agreement and allotment of work is a lapse on the part of the department which led to extra expenditure of ₹ 1.78 crore.

The matter was referred to the Government in March 2012; reply has not been received (December 2012).

IRRIGATION DEPARTMENT

4.2.4 Unproductive expenditure on incomplete work

Failure of the department to complete the irrigation project even after incurring an expenditure of ₹18.21 crore resulted in unproductive expenditure, besides non achieving the assured irrigation facilities to farmers

A project of converting the Banur Canal system in Patiala and SAS Nagar districts from non perennial to perennial was evolved with an objective of providing water for irrigation throughout the year and administratively approved (July 2006) by Irrigation Department at a total cost of ₹ 49.27 crore which was revised (December 2006) to ₹ 58.15 crore. The Banur Canal system was non-perennial and it was fed by constructing *kutcha* bund across river Ghaggar on yearly basis. The project envisaged construction of a *pucca* weir across river Ghaggar to feed Banur Canal, remodeling of canal, construction of falls, bridges, gate and gears, guide bunds, cost of land etc., with a view to supply water throughout the year to benefit an area of 36022 acres of 60 villages and to bring an additional area of 3000 acres under

16 @ ₹ 140 per hour for 534.00 hours.

17 @ ₹ 160 per cum for 18338.21 cum.

18 @ ₹ 177.39 per cum for 73609.10 cum.

19 @ ₹ 15.70 per cum for 75049.31 cum.

irrigation. The project was to be financed from the loan of ₹ 45.56 crore, interest payable at the rate of 6.5 *per cent* per annum from National Bank for Agriculture and Rural Development (NABARD) and ₹ 2.40 crore contributed by the State Government.

Audit of records revealed (August 2009) that Chief Engineer/Irrigation Punjab, technically sanctioned (December 2006) the estimate of ₹ 27.93 crore for constructing a weir across the river Ghaggar. The tenders were called (October 2006) for construction of weir only. After evaluation of two technical and financial bids, the work was allotted (December 2006) to the lowest bidder, at a cost of ₹ 30.66 crore with the completion schedule of nine months from the date of allotment (excluding rainy season from July 2007 to September 2007) and an agreement was executed with the contractor in January 2007. Clause 2.3 of the agreement provides that the contractor was to complete the work up to safe level i.e. 945.50 feet before the onset of rainy season (July 2007) in order to avoid flushing out the work executed at site due to flood in river Ghaggar during the rainy season. The contractor did not complete the required work up to safe level i.e. 945.50 feet by 30 June 2007 and liquidated damages of ₹ 3.06 crore were levied out of which an amount of ₹ 1.53 crore was recovered (July 2008) but the work remained incomplete even up to March 2009, in spite of two extensions granted to complete the work. The contract was terminated on 30 March 2009. By this time total amount of ₹ 18.21 crore was incurred on the project (₹ 12.74 crore paid to contractor and ₹ 5.47 crore incurred on other preliminary works). The balance amount of ₹ 1.53 crore of liquidated damages was still recoverable (December 2012).

Further scrutiny of records revealed that as per the condition of the tender notice, bidders should have experience in the Hydraulic work and had successfully completed at least one work of not less than ₹ 20 crore or two works each valuing not less than ₹ 15 crore and three works each valuing not less than ₹ 10 crore during the last five years. At the time of submission of tender, the contractor submitted eight work experience certificates which pertained to State of Punjab with cost of work executed ranged from ₹ 1.12 crore to ₹ 4.65 crore and one work costing ₹ 21.35 crore, on the basis of which the contractor qualified for bidding process, was executed under Irrigation Development Division, Jagadalpur, Chhattisgarh. The tender scrutiny committee did not take cognizance of such a wide variation in cost of work executed and that too outside the State of Punjab, while checking the eligibility of the contractor as per the pre qualification criteria of notice inviting tenders as instructed by the Chief Engineer. The certificate was found fake on verification (July 2009) by the department from the Executive Engineer, Jagdalpur, Chhattisgarh.

On this being pointed out in audit (June 2010), the department stated (September 2010) that it was a case of system failure and further added that the department had learnt from the mistake and fresh guidelines regarding verification of certificates, prior to allotment of the work had been issued. As such the expenditure cannot be termed as ungainful because balance work would be executed at the risk and cost of the contractor. The Executive

Engineer stated (January 2012) that the work had not been allotted so far (December 2012).

Thus, the failure of the department to ascertain the technical and financial capability of the contractor before allotment of work and thereafter non-revival of work resulted in unproductive expenditure of ₹ 18.21 crore incurred on the incomplete work, besides, an amount of ₹ 1.53 crore remaining recoverable from the contractor on account of liquidated damages. The objectives of providing irrigation to 36,022 acres of agricultural land of sixty villages apart from bringing new area of 3000 acres under irrigation of Banur Canal System also remained unachieved during the last five years.

The matter was referred to the Government in June 2010; reply has not been received (December 2012).

EDUCATION DEPARTMENT

4.2.5 Non-providing of uniforms to students

Procurement of uniforms by the District Education Officer from unapproved suppliers by reducing the number of approved items resulted in non supply of complete uniforms to students

The Director General of School Education-cum-State Project Director (DGSE), Sarva Siksha Abhiyan (SSA), Punjab conveyed (February 2011) the decision (October 2010) of the Project Approval Board, Ministry of Human Resource Development, Government of India (GoI) to provide uniforms to school children[20] at elementary level for ₹ 400 each under SSA to all the District Education Officers (Elementary Education) (DEOs). While according sanction of ₹ 65.87 crore, the DGSE clarified (February 2011) that the uniforms [21] had to be procured through the Village Education and Development Committees (VEDCs) at school level. Further, as per Procurement Procedure[22], the purchases were to be effected from approved contractors/suppliers under limited tender method upto the financial ceiling prevailing in the State or less as per contract.

Audit of records (May 2012) of District Education Officer, Gurdaspur (DEO) revealed that the DEO transferred (March 2011) the funds of ₹ 4.90 crore to 22 Block Primary Education Officers (BPEOs)[23] for purchase of uniforms for 122394 students in Gurdaspur district. Further, the DEO, on the plea that most of the BPEOs and VEDCs showed their inability to procure uniforms of good quality within ₹ 400 per uniform from the market, called (March 2011)

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20 All girls, SC and BPL boys.

21 Pant, shirt, *patka*/cap, woolen sweater, shoes & socks for boys and *salwar-kameez*, *dupatta*, woolen sweater, shoes & socks for girls.

22 Para 118 under Chapter IX of the Manual on Financial Management Procurement (GoI-SSA).

23 Batala-I, Batala-II, Dera Baba Nanak, Dhar-I, Dhar-II, Dhariwal-I, Dhariwal-II, Dhianpur, Dinanagar, Dorangla, Fatehgarh Churian, Gurdaspur-I, Gurdaspur-II, Kahnuwan-I, Kahnuwan-II, Kalanaur, Narot Jaimal Singh, Pathankot-I, Pathankot-II, Pathankot-III, Quadian, Sri Hargobindpur.

quotations from eight unapproved suppliers for supply of uniforms excluding woolen sweater, woolen cap and stitching of *salwar-kameez* in contravention of the prescribed procurement procedure. However, in other test-checked districts viz. Ludhiana, Hoshiarpur and Sangrur, all the items of uniforms were procured within ₹ 400/- each. Out of seven firms who quoted similar rates of ₹ 400/- per uniform, the orders were placed (April 2011) with two Jalandhar based firms[24] on the basis of least time of delivery for supply of uniforms amounting to ₹ 1.03 crore in four blocks[25] within 30-45 days.

Further, the DEO, in contravention of the guidelines *ibid*, directed (April 2011) all the 22 BPEOs of Gurdaspur district to transfer funds to these two firms for early procurement of uniforms. Accordingly, all the BPEOs released (April-May 2011) 100 *per cent* payment of ₹ 4.90 crore to the firms without placing supply orders in respect of remaining 18 blocks. The firms supplied 118877 uniforms to the BPEOs in May-August 2011, of which, 46774 uniforms were received late after a delay ranging between 15 and 107 days from the stipulated time schedule. However, 3517 uniforms and 46097 *dupattas* were yet to be supplied by the firms (December 2012).

Thus, the procurement of uniforms by DEO from the unapproved suppliers at district level in contravention of the guidelines/procurement procedure, led to non-procurement of uniform items[26] involving ₹ 1.41 crore within the cost ceiling of ₹ 400/- per uniform. Besides, 3517 uniforms and 46097 *dupattas* amounting to ₹ 0.28 crore had not been received from the suppliers (December 2012) even after the delay of 19 months ***(Appendix-4.4)***. As a result thereof, the students remained deprived of the complete uniforms.

On this being pointed out (May and October 2012), the DGSE-cum-State Project Director SSA stated (November 2012) that after preliminary enquiry, the case was forwarded (August 2012) to the Vigilance Bureau for further investigation.

The matter was referred (July 2012) to the Government; the reply has not been received (December 2012).

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24 M/s ELITE Tube (P) Limited and M/s Karan Enterprises.

25 Dhar-I (₹ 12,38,800), Narot Jaimal Singh (₹ 33,30,400), Pathankot-I (₹ 27,53,200) and Pathankot-II (₹ 30,19,600).

26 Woolen sweater, woolen cap and stitching of *salwar-kameez*.