Chapter-2
Performance Audit

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Performance Audit

DEPARTMENT OF HIGHER EDUCATION

2.1 Private Universities and Private Colleges

With a view to develop and implement a fair and transparent framework that provides sufficient opportunities to the deserving private institutes and educational promoters for higher education, Government of Punjab notified (June 2010) 'The Punjab Private Universities Policy, 2010' for establishment of Private Universities (PUs). Private Colleges (PCs) of the Punjab State are to be affiliated with Government Universities only.

Some of the significant findings of the Performance Audit are given below:

- ***No regulatory mechanism for private universities was set up at State Government level to safeguard the interests of stakeholders.***

  (Paragraph 2.1.6.1)

- ***Deficiencies were noticed in the process of establishment of seven Private Universities (PUs) in violation of Punjab Private University Policy, 2010.***

  (Paragraph 2.1.6.2)

- ***Five PUs and 12 PCs were established without obtaining the permission for change of land use and seven PUs and six PCs were approved without the approval of building plans leading to non-recovery of external development charges and licence fee and thus extending undue financial favour of ₹7.95 crore to promoters/sponsoring bodies. Further, there was loss to the Government due to non-recovery of labour cess of ₹ 1.48 crore in four cases where building plans were not approved.***

  (Paragraph 2.1.6.3(ii & iii))

- ***Five PUs commenced academic operations without obtaining clearance from the University Grants Commission (UGC).***

  (Paragraph 2.1.7.1)

- ***Six PUs and 16 PCs had appointed 148 and 440 faculty members respectively without following eligibility criteria and State Universities were granting affiliation to the private colleges having inadequate infrastructure, facilities, etc.***

  (Paragraphs 2.1.8.1 (i & ii) and 2.1.8.4)

- ***No periodical inspection was conducted for any of the PUs by UGC. Punjab Technical University had conducted academic audit of 92 colleges out of 292 during 2010-14 whereas Punjabi University, Patiala had not conducted periodic inspection of any of 194 PCs affiliated with it.***

  (Paragraphs 2.1.9.1 and 2.1.9.4(i&ii))

2.1.1 Introduction

Higher Education is recognized as an invaluable instrument for sustainable human development through both creation and dissemination of knowledge. Universities have a pivotal role in facilitating the achievement of these objectives. Private Universities (PUs) are established through State Act by societies registered under the Societies Registration Act, 1860 or any other corresponding law for the time being in force in a State or a Public Trust or a Company registered under Companies Act, 1956. Government of Punjab (GOP) notified (June 2010) 'The Punjab Private Universities' Policy, 2010' (PPUP, 2010) for establishing Private Universities. As of March 2015, 11 PUs (nine[1] under the PPUP, 2010 and two[2] prior to its coming into force) have been established through State Acts. Further, 923[3] Private Colleges (PCs) (including B.Ed., M.Ed., Law, Technical and Degree Colleges, Nursing and Medical Colleges) affiliated with different Government Universities, were established in the State up to March 2015.

2.1.2 Organizational set-up

(i) Private Universities

The Governor of the State is the Visitor of all the PUs. Principal Secretary, Higher Education, Punjab (PSHEP) maintains the record of approval of all the PUs. Chairperson of the sponsoring body is the Chancellor of the university concerned and is also the head of the Governing body, Vice-Chancellor (VC) appointed by the Chancellor is the overall in-charge and the Registrar is the Member Secretary of the Governing body.

(ii) Private Colleges

The Governor of the State is the Chancellor of the Government Universities. The PCs in Punjab are to be affiliated with the State Universities after obtaining 'No Objection Certificate' (NOC) from GOP (Department of Higher Education) and clearance from the concerned Regulatory bodies viz. All India Council for Technical Education (AICTE), Dental Council of India (DCI), Indian Nursing Council (INC), National Council of Teachers' Education (NCTE), etc. The PCs are being managed by the respective society or trust.

2.1.3 Audit Objectives

The Performance audit was conducted to assess whether:

- appropriate policy/guidelines were framed and followed while according approval to Private Universities/Colleges;

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1 (i) Chitkara University (November 2010); (ii) Guru Kashi University (December 2011); (iii) DAV University (February 2013); (iv) Adesh University (July 2012); (v) Desh Bhagat University (Notified in February 2013 enactment October 2012); (vi) Chandigarh University (July 2012); (vii) GNA University (August 2014); (viii) Rayat Bahra University (August 2014); and (ix) Sant Baba Bhag Singh University (February 2015)

2 (i) Lovely Professional University, (December 2005); (ii) Sri Guru Granth Sahib World University (Notified in April 2008 enactment May 2008).

3 Data collected from the Punjabi University Patiala, PTU and BFUHS; and from the website of Punjab University (www.puchd.ac.in 10 April 2015); Guru Nanak Dev University (www.gndu.ac.in 10 April 2015).

- the academic activities/programmes and research activities were efficiently managed in accordance with the prescribed norms;
- the human resources, infrastructure and estate management were adequate and as per norms to improve the quality of education; and
- effective internal control mechanism was in place.

2.1.4 Audit Criteria

The audit findings have been benchmarked against the criteria derived from the following sources:

- The Punjab Private Universities Policy, 2010.
- University Grants Commission (UGC) Regulations (establishment and maintenance of Standards in Private Universities), 2003, UGC (affiliation of colleges by universities) Regulation, 2009 and UGC (National Assessment Accreditation Council) Regulation, 2012.
- Guidelines issued by the UGC and different State Universities from time to time.
- Norms fixed by the Regulatory Bodies (MCI, AICTE, DCI, INC, etc.).
- Acts of the concerned PUs.

2.1.5 Scope and methodology of audit

The Performance Audit conducted (February 2015 to July 2015) covered the period 2010-15. The cases prior to this period, which came to notice during performance audit and irregularities which continued from earlier period, have also been included in the Report. Eight[4] PUs out of nine established under PPUP, 2010 and two[5] PUs established before PPUP, 2010 have been covered under PA (file of one[6] PU was under process and was not available with Department). Records of the establishment/approval of PUs maintained in the office of the PSHEP and records related to enlistment of PUs with UGC were test checked. Records of 58 out of 619 PCs affiliated with Punjab Technical University (PTU) (23 out of 292 PCs), Punjabi University, Patiala (PUP) (23 out of 194 PCs) and Baba Farid University of Health Science (BFUHS), Faridkot (12 out of 133 PCs) were test-checked at university level. Fifteen PCs (six affiliated with PUP and nine with BFUHS) were also selected for Physical verification. The Performance Audit commenced with an entry conference with the PSHEP in March 2015 in which audit objectives, criteria and scope of audit were discussed. Audit observations of the PA were

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[4] (i) Chitkara University; (ii) Guru Kashi University; (iii) DAV University; (iv) Adesh University; (v) Desh Bhagat University; (vi) Chandigarh University; (vii) GNA University; and (viii) Rayat Bahra University.

[5] (i) Lovely Professional University (December 2005); and (ii) Sri Guru Granth Sahib World University (April 2008).

[6] Sant Baba Bhag Singh University (12 February 2015).

discussed with the department in the exit conference held on 17 December 2015 and replies have suitably been incorporated in the PA.

Scope limitations

In the absence of enabling provision for assessment of the PUs (after establishment) in the PPUP, 2010 and in the relevant Acts of the universities, it was not possible for audit to examine the compliance of the provisions of various statutory regulations related to establishment of PUs. Records pertaining to the approval of Lovely Professional University (LPU) was not produced to audit despite repeated requests (23 February 2015, 02 March 2015, 17 April 2015 and 29 June 2015). In the absence of requisite data for statistical sampling, samples of approval files of PUs at PSHEP office and PCs affiliated with State Universities were selected on judgmental basis.

Further, audit team was unable to physically inspect the selected nine PCs affiliated with BFUHS due to lack of cooperation by the PCs, despite direction (September 2015) of GOP/BFUHS to these PCs to co-operate with audit during physical inspection.

Audit findings

2.1.6 Non-observance of Policy/guidelines/Acts

2.1.6.1 Lack of a regulatory mechanism for the oversight of PUs

Clause (iv) of UGC's 'Establishment and Maintenance of Standards in Private Universities Regulations, 2003' provides that for private universities belonging to a separate category altogether, a suitable regulatory mechanism is essential for safeguarding the interests of the student community with adequate emphasis on the quality of education and to avoid commercialization of higher education, etc. Further Under clause 4 of UGC Regulations, 2003, UGC may cause periodic inspection of PUs offering their programmes.

Audit observed (February 2015) from the records relating to the establishment of PUs at PSHEP that GOP had granted approval (2010-2014) to establish eight PUs based only on undertakings/affidavits submitted by the promoters to comply with the norms of PPUP, 2010, such as, a) admission on merit basis, b) appointment of qualified staff as per UGC norms, c) providing type of programme and research, d) conduct entrance test, e) establishment of library with books worth ₹ 50 lakh, f) purchase of computers and other moveable assets worth rupees two crore, g) fee concession/ free ship to not less than five *per cent* of total students, h) establishment of fair and transparent system for charging of fees from the students, and i) creation of endowment fund. However, no suitable regulatory mechanism was available at the State

Government level to monitor the compliance of the norms mentioned in the undertakings by the PUs. Audit also observed that none of the PUs set-up in the State had been re-inspected by the UGC after its initial inspection at the time of establishment. As a result, the functioning of the PUs was bereft of any independent oversight. Thus, the system was fraught with the risk of compromising the quality of education due to lack of monitoring of adherence to the conditions under which these PUs were allowed to be set-up.

In the exit conference, the Department admitted that there was a need for a regulatory mechanism to keep watch on the working of the private educational institutions. It was also suggested by the Department that there should be an accreditation agency like National Board of Accreditation at State Level.

2.1.6.2 Deficiencies noticed in the process of establishment of Private Universities

(i) Clause 4.4 of PPUP, 2010 provides that the Administrative Department, after the preliminary scrutiny of the detailed project report, would intimate the deficiencies noticed in it to the sponsoring body, who after the removal of deficiencies submit a compliance report which would be placed before the Chief Secretary. A sub-committee constituted by the Chief Secretary would then make physical inspection of the compliance of provisions so mentioned in the proposal for adjudging the credibility of the sponsoring body and feasibility of establishment of the proposed University**.** Deficiencies observed during the inspection, if any, would be communicated to the sponsoring body for removal thereof. The sponsoring body would submit the report regarding the removal of deficiencies. The case would then be placed before the committee[7] for recommendations for issuance of Letter of Intent (LoI). Under clause 4.5 of PPUP, 2010, the State Government may issue LoI subject to the compliance of certain conditions. The sponsoring body would fulfill the conditions of LoI and submit the report of the compliance to the State Government within a period of two years. The sub-committee, as already constituted under clause 4.4 (C), would make physical inspection in respect of the compliance of LoI issued. Further, clause 4.5 (J) of PPUP, 2010 provides that in case of satisfactory compliance by the sponsoring body, approval of the Chief Minister would be obtained, in principle, for the establishment of the University.

Audit observed from the approval file of Adesh University, maintained at PSHEP office, that the sub-committee did not recommend the establishment of the University after its physical inspection (July 2011). Further, thirteen member high power committee formed (December 2011) to take a decision on the matter also agreed with the observations of inspection committee. On the

[7] Committee chaired by Chief Secretary and the other members would include nominee of the UGC, Administrative Secretaries looking after the department of Finance, Planning, Technical Education, Medical Education and VCs of Punjab University, PUP, Guru Nanak Dev University, PTU and BFUHS. Secretary Higher Education would be the member secretary of this committee.

basis of NOC issued (March 2012) by the Department of Medical Education & Research, Punjab though NOC was not required as per prescribed process for establishment of private universities, a conditional[8] LoI was issued in June 2012 and the University was established (July 2012) by the Government.

In the exit conference, the Department admitted the audit observation but stated that the approval to the University was granted under clause 12 of the PPUP, 2010 which provides that the State Government may, for reasons to be recorded in writing, relax any of the conditions contained in this policy for the purpose of grant of approval. The reply was not tenable as no written reasons were found recorded in the approval file of this University.

(ii) Clause 4.5 (a) of the PPUP, 2010 provides that the State Government would issue LoI to the sponsoring body subject to the fulfillment of the following conditions:

(a) construction of 10,000 square metres (Sqm) of covered area marked for administrative purpose, 50,000 Sqm for academic purpose and a minimum of 20,000 Sqm in case of any other domain, besides provision of adequate residential accommodation, hostels and other facilities;

(b) sponsoring body would ensure the purchase of equipment, computers, furniture, other moveable and immoveable assets and infrastructure facilities (other than building) worth ₹ two crore; and

(c) the proposed university would purchase books of at least rupees one crore within three years of its establishment.

Audit observed from the scrutiny of approval file of the DAV University, Jalandhar, at PSHEP, that availability of infrastructural facilities as provided in the policy was not ensured by the Government. The proposed building of the University was under construction (July 2013). Only quotations invited by the sponsoring body was taken as evidence in support of purchase of books worth ₹50 lakh. Despite these deficiencies, an ordinance authorising the setting up of this University was issued in October 2012 and the Act of the University passed in February 2013.

In the exit conference the Department stated that during special inspection (December 2015) of the DAV University it was found that area for administrative and academic purpose had been earmarked and books worth ₹ 51 lakh were purchased. The reply was not tenable as the building was required to be completed at the time of approval of university and books of Rupees one crore were to be purchased.

[8] (i) creation of endowment fund (ii) ownership of 35 acre land (iii) 60 thousand sq. meter built up area (iv) Purchase of books for ₹ one crore within three year of establishment of PUs (v) purchase of computer/infrastructure for ₹ two crore (vi) appointment of faculty as per the conditions of regulatory bodies (vii) undertaking regarding conduct of co-curricular activities (viii) provide the requisite information to the regulatory bodies and equivalent authorities established by the Central Govt. (ix) affidavit regarding no criminal case was against the sponsoring body.

(iii) Audit further observed that GOP had issued LoI to eight sponsoring bodies with certain conditions (clause 4.5 of PPUP, 2010) which were to be complied with within two years. However, the approval for establishment of seven (except one[9]) PUs was granted by the GOP only on the basis of compliance report submitted by the sponsoring bodies. No physical inspections were carried out by the Department, as required under clause 4.5(e) of PPUP, 2010, to ensure compliance of the conditions. On being pointed out in audit, special inspection of the DAV University was carried out by the Department (December 2015) which showed that conditions of the LoI were not fulfilled.

In the exit conference, the Department admitted the audit observation and stated that they were now conducting the second inspection to monitor the compliance of the conditions of the LoI.

2.1.6.3 Establishment of PUs/PCs without CLU, EDC, LF and approval of building plans

(i) Education Department, Punjab required (October 2003) that approval of Change of Land Use (CLU) should be obtained by the concerned sponsoring body before granting NOC to the new PCs for establishment from the competent authority (Chief Town Planner/District Town Planner (CTP/DTP). Government of Punjab, Department of Housing and Urban Development (DHUD) had written (August 2008) to the Chief Administrator, Punjab Urban Development Authority (PUDA) directing the regularization of buildings built outside the periphery of Municipalities. PUDA Building Rules were made applicable to the buildings outside the periphery of Municipalities from January 2005.

Audit observed from the information collected from Chief Town Planner (CTP) (April 2015), Punjab and website[10] of the LPU that it had been established on six hundred acres of area, with 10 lakh square feet built up area (up to 2006) on Phagwara road, Jalandhar. Neither the sponsoring body of the University had obtained permission for CLU[11] from the CTP (which was the designated competent authority at that time) nor deposited the External Development Charges (EDC), License Fee (LF) and scrutiny fee resulting in an undue financial favour to the promoter.

In the exit conference Department stated that University was established prior to the implementation of CLU policy of GOP. It was also mentioned that LPU had obtained CLU from the competent authority when it was first set up as a college. Audit reiterated that as per directions of the DHUD, the buildings constructed prior to 2005 also required regularization from the competent authority i.e. Chief Town Planner Punjab. Department replied (January 2016) that LPU had applied for CLU (July 2015). However, permission of CLU was not yet granted (January 2016).

[9] GNA University.

[10] www.lpu.in, (18 March 2015).

[11] Educational Institutes are exempted for the payment of CLU charges.

(ii) According to Clause 4.3 (g) of PPUP, 2010, CLU issued by CTP, Punjab is to be submitted by the sponsoring body along with its proposal for establishing a university. Further, sub-clause (k) provides that the conceptual building plans prepared in accordance with the bye-laws of the relevant municipal committee or municipal corporation or such other concerned authority (DTP up to 5 acre and CTP for more than 5 acre) under the DHUD were also to be submitted with the application.

Audit observed from the records of approval of PUs with PSHEP and PUP that four[12] PUs and 12[13] test checked PCs affiliated with PUP had not obtained mandatory permission for CLU from the competent authority. Consequently, ₹ 4.01crore and ₹ 1.02 crore towards EDC and LF respectively were not deposited with PUDA. Similarly, seven[14] PUs and six[15] out of 12 test checked PCs affiliated with BFUHS had not got building plans approved, resulting in non-deposit of ₹ 2.70 crore and ₹0.22 crore respectively. Despite non-compliance of the conditions, GOP had approved establishment of these PUs/PCs which resulted into undue favour of ₹ 7.95 crore to the sponsoring bodies at the expense of the State exchequer.

In the exit conference, Additional Dean (PUP) and Sub-Dean (BFUHS) admitted the audit observation and stated that they were now insisting on the institutions already affiliated with the universities to apply for CLU. However Department was silent in respect of PUs.

(iii) Government of Punjab, Department of Labour vide notification (November 2008) issued instructions regarding levy of labour cess at the rate of one *per cent* of the cost of construction. It was to be ensured that henceforth, no building plan was approved by local authorities without collecting the aforesaid cess.

Audit observed from the records/information provided by the BFUHS, that out of 12 test-checked PCs, four[16] who constructed buildings between 2009-2014 had not submitted their building plans of ₹148.47 crore to PUDA for approval. The University had never asked the institutions to submit the approved building plans which resulted into loss of ₹1.48 crore to the Government on account of non-recovery of labour cess.

[12] (i) Adesh University; (ii) Desh Bhagat University; (iii) Guru Kashi University; and (iv) Rayat Bahra University.

[13] (i) Akal College of Education; (ii) Barkat College of Education; (iii) Colonel College of Education; (iv) Desh Bhagat college of Education; (v) Guru Nanak College of Education; (vi) Guru Teg Bahadur College of Education (Women); (vii) SASM College of Law; (viii) Sant Kabir College of Education; (ix) Guru Teg Bahadur College of Education; (x) Shivam College of Education; (xi) SRSM Mukat College of Education; and (xii)Vidhya Sagar College of Education.

[14] (i) Chitkara University; (ii) Guru Kashi University; (iii) Chandigarh University; (iv) Adesh University; (v) DAV University; (vi) Desh Bhagat University; and (vii) Rayat Bahra University.

[15] (i) Adarsh College of Nursing; (ii)Life Guard College of Nursing; (iii) VMS Institute of Nursing; (iv) Mother Merry's Institute of Nursing; (v) Chintpurni College of Nursing; and (vi) Baba Mangal Singh College of Nursing.

[16] (i) Adarsh College of Nursing; (ii) Life Guard Nursing Institute; (iii) Mother Mary's Institute of Nursing; (iv) and Chintpurani Institute of Nursing.

In the exit conference, the Department admitted the audit observation. However, any proposed action in this regard has not been intimated by the department.

2.1.6.4 Irregularities in creation/maintenance of Endowment Fund

As per PPUP, 2010 and affiliation guidelines for the PUs/PCs were required to create an Endowment Fund (EF) as a perpetual deposit in a scheduled commercial bank so as to safeguard the interests of students as well as of employees in case of winding up of the PU/PC. Audit noticed the following irregularities:

(i) Clause 6 of PPUP, 2010 provides that on receipt of LoI from the State Government, the sponsoring body would establish an endowment fund of three crore in case of a domain specific[17] University and ₹ five crore in case of multi domain[18] University within two months. However, Provision for creation of EF was not made in the relevant Act of LPU (file of LPU was not provided to audit).

(ii) No record related to creation of EF was found in the approval file of the SGGSWU. Despite provision of EF of Rupees one Crore in its Act, no EF was maintained.

(iii) The Academic Council directed (April 2001) PTU to maintain EF of ₹ 25 lakh for all non-AICTE course colleges affiliated with the University. The amount of EF was reduced (April 2011) to ₹10 lakh. However, out of 154 PCs (non-AICTE), 104 PCs (including 21 test checked PCs) had not created EF (₹ 10.40 crore). Moreover, PTU had allowed four[19] PCs to create EF of ₹ 5 lakh each instead of ₹ 10 lakh as required. It was further noticed that fixed deposits/bank guarantees (BG) (₹ 2.30 crore) in respect of 23 out of 50 PCs who had created the EF, expired between June 2012 and November 2014 and were not renewed (May 2015). On being asked by audit (May 2015), no reasons for non renewal of BGs/non maintenance of EF was submitted by the PTU (February 2016).

(iv) Clause 4 of affiliation orders issued by PUP provides that in case of any revision in EF/affiliation fee/continuation fee by the Syndicate, the PC has to pay the difference. The Syndicate enhanced (September 2010) the endowment fund amount from ₹10 lakh to 20 lakh (boys/co-educational colleges) and 5 lakh to 10 lakh (Women colleges) from August 2010. Out of 194 PCs affiliated with PUP, only 34 PCs (including four[20] test checked PCs) affiliated during 2010-15 had created EF at revised rate. Remaining 160 PCs were maintaining EF at old rates resulting in short creation of EF of ₹ 14.31 crore besides loss of service charges[21] (three *per cent*) of ₹2.15 crore

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17 University having single stream of study (Arts, Science or Commerce, etc.).

18 University having multi domain i.e. multiple streams of studies.

19 (i) Lala Jagat Narain IIM; (ii) GNIMT; (iii) GTBIMT; and (iv)GGNIMT.

20 (i)Colonel Degree College; (ii) Pearl institute of Hotel Management; (iii) RIMT Academic College; and (iv) Vidhya Sagar College for girls.

21 Service Charges at the rate of three *per cent* for maintenance of FDs of EF as per direction/orders of Syndicate of PUP.

to PUP. On being asked by audit (June 2015), no reply was submitted by the PUP.

(v) The Board of Management of BFUHS approved (April 2007) the course wise quantum of EF ranging between ₹ 20 lakh and ₹ 125 lakh for affiliation of new colleges and addition of seats/courses in existing colleges. Accordingly, all the PCs had to create EF in four equal annual instalments in the form of FDs for five years. Further, BFUHS enhanced (April 2007) its interest share from 5 to 20 *per cent* per annum from the interest earned on the EF.

Forty six PCs (including seven test checked PCs) out of 133 affiliated PCs had not submitted their installments (2006-07 to 2014-15) of EF of ₹5.57 crore. Further, 67 PCs (including 11[22] test checked PCs) created EF (₹25.28 crore) with delay ranging between two months and 108 months. In the absence of a provision for levy of interest/penalty for delayed creation of EF, BFUHS suffered loss of ₹ 69 lakh[23] on account of interest share.

In the exit conference the Department admitted that endowment fund should be created by each Educational Institution.

2.1.6.5 Loss of interest to the Government/State University due to late deposit of University establishment fee

As per the Clause 4.5 (k) of the PPUP, 2010 the sponsoring body is to make a demand draft in favour of DPI (Colleges), Punjab, of ₹ one crore on account of establishment fee at the time of issuance of approval to establish a University.

(i) Audit observed from the records of PUs at the office of the PSHEP that the promoters of eight[24]out of ten PUs had submitted their establishment fee late by a period ranging between 20 days and 20 months. Two demand drafts in respect of Guru Kashi University and Chandigarh University remained with PSHEP office for two and five months respectively. The undue delay and late deposit of establishment fee by PSHEP resulted into loss of interest of ₹ 44.63 lakh (at the rate of 9 *per cent*) to the Government.

(ii) Out of 67 NOCs issued to the PCs affiliated with PTU during 2013-14, three[25] NOCs were issued without levying interest on outstanding amount of ₹58.18 lakh on account of continuation fees, sports fees, youth festival fees

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[22] (i) Chintpurni Medical College; (ii) Sri Sukhmani Dental College; (iii) Dashmesh College Physiotherapy; (iv) Dr. Shyam Lal Thaper College of Nursing; (v) Dashmesh College of Nursing; (vi) Anil Baghi College of Nursing; (vii) Mother Mary institute of Nursing; (viii) Aman Bhalla Nursing; (ix) Baba Mangal Singh Nursing College; (x) Swami Vivekanand Nursing College; and (xi)Chintpurni Nursing College.

[23] 20 *per cent* share out of the interest of ₹3.45 crore earned on ₹25.28 crore @ 9 *per cent* per annum.

[24] (i) Chitkara University; (ii) Guru Kashi University; (iii) DAV University; (iv) Adesh University; (v) Desh Bhagat University; (vi) Chandigarh University; (vii) GNA University; and (viii) Rayat Bahra University.

[25] (i) Swami Vivekanand Institute of Engineering & Technology; (ii) Rayat Bahra Institute of Engineering.& Bio Technology; and (iii) Sant Baba Bhag Singh Institute of Engineering.& Technology.

and provisional affiliation fees (since 2004-05). This resulted into loss of interest of ₹ 56.43 lakh to PTU.

(iii) Further, as against ₹72.65 lakh recoverable on account of continuation fee, provisional fee, sports and youth festival fee from 12 PCs (including one[26] test checked PCs) out of 292 PCs affiliated with PTU, only ₹ 51.63 lakh was recovered (2010-15), which led to short levy ₹ 21.02 lakh.

In the exit conference the Department admitted the audit observation and stated that interest amount from six Private Universities had been recovered (₹ 18.57 lakh) and recovery in respect of two PUs was under process. However, no reason was given for short levy of continuation/provisional fee.

2.1.6.6 Short/non-recovery of university dues from PCs

As per guidelines of PTU and BFUHS, application fee, inspection fee, provisional affiliation fee, affiliation continuation fee, admission fee, examination fee, etc., were to be collected annually from all the affiliated PCs. The fee was to be deposited in the respective State University's account as per the prescribed schedule.

Audit observed from the information provided by the PTU for the year 2013-14 that ₹9.84 crore was outstanding against 208 PCs. The University expressed its inability in providing details of outstanding dues for the year 2010-11 to 2012-13 and 2014-15. Further, scrutiny of records at BFUHS showed that an amount of ₹0.79 crore for the period of 2013-15 had not been deposited by 29 PCs (including seven[27] test checked PCs). This resulted into non-recovery of University dues of ₹10.63 crore.

Similarly, record of examination branch of PUP showed that 27 PCs (including four[28] test checked PCs) out of 194 affiliated PCs, had deposited their examination fee for the year 2014-15 short by ₹0.06 crore. Further, continuation affiliation fee of ₹14.60 lakh was not collected from 52 PCs (including three[29] test checked PCs) for the period 2010-15.

In the exit conference Department admitted the audit observation and stated that they would recover all the dues pending with affiliated colleges.

[26] CT institute of Pharmaceutical Science.

[27] (i) National Dental College; (ii) Chintpurni Medical College; (iii) Adarsh College of Nursing; (iv) APS Nursing College; (v) Swami Vivekanand Nursing College; (vi) Chintpurni Nursing College; and (vii) Dashmesh Physiotherapy college.

[28] (i) Asra Institute of Advance Studies; (ii) Continental College of Higher Studies; (iii) Asian Educational Institute; and (iv) Desh Bhagat College.

[29] (i) Vidhya Sagar Education College for girls; (ii) Asian Education Institute; and (iii) Desh Bhagat College of Education.

2.1.6.7 Other irregularities

(i) Affiliation to the PCs without having appropriate land

Audit observed from the records provided by the BFUHS that three[30] out of 12 test checked PCs (Nursing) affiliated with BFUHS had been established on land less than that prescribed in the guidelines (INC Guidelines, 2005 (IX)). Similarly, three[31] out of 23 test checked PCs of PUP were affiliated despite having insufficient land as per UGC guidelines (clause 3.1.1 of the UGC Regulations, 2009 for affiliation of colleges).

In the exit conference the Department admitted the audit observations and stated that the Department would conduct inquiry against the inspection committee that recommended affiliation to institutions having less land as compared to norms.

(ii) Continuation of affiliation of the PCs without removal of deficiencies

The BFUHS, Faridkot had allowed continuation of affiliation during 2010-15 of seven[32] PCs despite persistent deficiencies[33] pointed out by the inspection teams of BFUHS every year. On the basis of compliance reports submitted by the defaulting colleges, continuation of temporary affiliation was allowed despite non-removal of deficiencies resulting into violation of Clause 4.10 of UGC Regulations, 2009 and could affect the quality of education.

(iii) Irregular grant of affiliation to Private Dental Colleges

As per DCI Regulations January 2006 (in supersession of the Dental College Regulation, 1993) dental Colleges were required to have not less than 100 bedded Hospital with necessary infrastructure facilities for teaching aides. Further Regulations provided that it should be assessable by the transport.

Audit observed from the reports of annual inspection of PCs carried out by the inspection teams of the BFUHS for availability of infrastructure, teaching faculty and equipment (March 2015) of National Dental College, Dera Bassi that there was shortage of three lecturers and four dental mechanics in medical faculty. Its own hospital was not 100 bedded. The audit team physically verified that road connectivity to the hospital/institute was not available.

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[30] (i) Adarsh College of Nursing (20 kanal); (ii) International College of Nursing (2 acre);and (iii) Baba Mangal Singh Nursing Training Institute (1.45 acre).

[31] (i) Vidhya Sagar College of Management & Technology (4.67 acre); (ii) S A S M college of Law (4.5 acre); and (iii) Colonel Degree College (4.8 acre).

[32] (i) Dashmesh College of Physiotherapy; (ii) Life Guard Nursing Institute; (iii) Dr. Shyam Lal Thaper College of Nursing; (iv) Sandhu Institute of Nursing; (v) Lala Lajpat Rai Institute of Nursing; (vi) Mother Marry's institute of Nursing; and (vii) Adarsh College of Nursing.

[33] (i) Teaching and non teaching staff, (ii) Equipment in labs, (iii) Library books, (iv) Registration of teaching staff etc.

In the exit conference Sub-dean, BFUHS stated that this came to their notice now and the lapse was on the part of the University. He further explained that corrective measure would be initiated.

(iv) Continuation affiliation without clearance of dues

Audit observed that out of 292 affiliated PCs, PTU had allowed 225 PCs (including 16 PCs test-checked PCs) to continue functioning as affiliated colleges without clearance of their dues (provisional affiliation fee, continuation affiliation fee, sports and youth festival fee) for the year 2013-14 and without getting continuation affiliation for the year 2014-15, which was against the instructions.

In the exit conference the Department admitted the audit observation and stated that matter would be sorted out.

(v) Excess fee charged by the PCs

Audit found from the records and physical inspection of PCs affiliated with PUP, that 14 out of 23 test checked PCs charged fee for session 2014-15 in excess of prescribed fees (ranging between four and 141 *per cent*). This resulted into violation of clause 3.4.8 of UGC Regulation, 2009 (Affiliation of Colleges by Universities) and clause 5 of affiliation orders, PUP.

In the exit conference Additional Dean, PUP stated that they were not aware of excess charging of fee from the students and there was no complaint from the student side. Reply was not tenable, as the PUP was responsible for ensuring that no excess fee is charged by the PCs from the students.

(vi) Contradictory provision of off-campus facility in the PU's Acts

Rule 3.3.1 of UGC Regulation, 2003 provides that the off-campus centre(s) and/or the study centres(s) shall be set up with the prior approval of the UGC and that of the State Government(s) where the centre(s) is/are proposed to be opened. Further Clause 5.5 of the PPUP, 2010 provides that the PUs would have a single-campus and the University would not be permitted to affiliate colleges other than the institutions owned and managed by the same sponsoring body within the main campus, which was contradictory to UGC's Regulations/PPUP, 2010.

A contradictory provision of off-campus/study centre facility for their own Trust's/Society's institutions was made by the GOP in the Acts of seven[34] PUs. However no document related to availability of off campus/study centre was available in the affiliation files of PUs.

In the exit conference the Department stated that matter of having "off-campus" facility if any, will be examined according to relevant rules and regulations.

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[34] (i) Adesh University, (ii) Chandigarh University, (iii) DAV University, (iv) Desh Bhagat University, (v) Sri Guru Granth Sahib World University, (vi) Lovely Professional University and (vii) Rayat Bahra University.

2.1.7 Academic activities

2.1.7.1 Commencement of academic operations without obtaining clearance from the UGC

As per clause 5.2 of PPUP, 2010 after the establishment of the University by State Legislature, the University would seek formal approval from the UGC under section 2(f) of the UGC Act, 1956 or any other authority so constituted by the GOI under any law for the time being in force, before starting academic operations of the University, such as admissions, commencement of programmes and teaching activities. Further, on receipt of intimation from State Government regarding establishment of PU along with the Act of the respective PU, UGC issue a letter to the PU for submission of detailed information in the proforma for getting the approval of UGC.

Audit observed from the records of PUs with UGC that Rayat Bahra University and GNA University had not submitted (May 2015) relevant documents and information for inspection with regard to availability of academic and physical infrastructure facilities to the UGC. Both the universities were established in August 2014 and had commenced their academic programmes during 2014-15 and 2015-16 respectively. Further, Adesh University, Desh Bhagat University and DAV University established in July 2012, October 2012 and February 2013 respectively had submitted the applications for inclusion in the UGC list (June 2013, October 2013 and January 2014 respectively)[35] but no approval to the fulfillment of UGC criteria had been granted to these PUs by UGC (September 2015).

In the exit conference the Department admitted the audit observation. However, any proposed action in this regard had not been intimated by the department.

2.1.7.2. Running of unspecified courses by the PUs and PCs

In exercise of the powers conferred under sub-section 3 of Section 22 of the UGC Act, 1956 (3 of 1956), UGC with the approval of Central Government, specified the nomenclature of degrees, which can be offered by Universities through Gazette notification dated July 5, 2014.

Audit observed (May 2015) from the records of PUs maintained in the office of PSHEP and scrutiny of information available in the websites of the PUs that eight PUs[36] were running between 2 and 31 unspecified courses as compared with UGC list, two[37] PUs had not provided online information of its courses as required in the UGC guidelines. Further, it was observed that 34, 19 and 25 different unspecified courses were being run (2014-15) by 87, 2 and 292 PCs affiliated with PUP, BFUHS and PTU respectively**.** In the absence of

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[35] www.ugc.ac.in (28-9-2015).

[36] (i)www.chitkara.edu.in (19-5-2015), (ii)www.deshbhagat uniersity.in; (iii) http://gna. university (20-5-2015); (iv) www.sggswu.org/ (20-5-2015); (v) www.gurukashi university.in; (20-5-2015) (vi) www.lpu.in (19-5-2015) (viii) www.rayatbahrauniversity. edu.in (20-5-2015); and (viii) www.chandigarhuniversity.ac.in (19-5-2015).

[37] (i) Adesh University, and (ii) DAV University.

non-updation of data by the private universities, Audit could not verify the updated position of unspecified courses being run by them.

In the exit conference, Additional Director, Technical Education stated that Universities could award degrees in generic term courses by specifying in brackets. Reply was not acceptable as per clarification of UGC, Private Universities were empowered to award degrees only as specified under Section 22 of the UGC Act.

2.1.7.3 Irregular admission in private Colleges

Clause 3.4.1 of UGC Regulations, 2009 provides that PCs would impart instructions only in subjects and for the courses/programmes for which affiliation had been granted by the University to the PCs and would not seek retrospective affiliation. Further, clause 3.4.10 provides that no student would be admitted to any programme of study by the college in anticipation of grant of affiliation or in excess of the number of seats sanctioned per programme of study by the University. Some of the instances of non-adherence to the said regulations are discussed below:

(i) Admission without affiliation

Audit observed from records/information available with BFUHS of affiliated colleges that 46 PCs (including 10 [38] test-checked PCs) affiliated during 2010-15 had admitted students in 57 courses during 2010-15. Out of these, five[39] PCs had obtained affiliation after the completion of the courses duration[40], which was in violation of the UGC Regulations, 2009.

In the exit conference the Department admitted the audit observation and stated that it would be looked into to make sure that no college admits students before affiliation.

(ii) Irregular admissions by the private dental colleges

Government of Punjab (June 2013) issued instructions that BFUHS would conduct centralized counseling for admission in MBBS/BDS courses on the basis of marks obtained in all India pre-medical entrance test-2014 to be conducted by the CBSE, New Delhi. The admissions to the MBBS/BDS courses in all the categories, including NRIs, would be based on the marks obtained in the entrance test. Further, it was clarified that admission made by any institute without adherence to instructions above would be treated as

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38 (i) Chintpurni Medical College, (ii) Lala Laj Pat Rai Institute of Nursing, (iii) Mai Bhago College of Nursing, (iv) Dashmesh College of Nursing, (v) Life Guard Nursing Institute, (vi) Anil Baghi College of Nursing, (vii) Mother Marry's Institute of Nursing, (viii) Baba Mangal Singh Nursing, (ix) Swami Vivekanand College of Nursing and (x) Chintpurni College of Nursing.

39 (i) DAV Institute of Physiotherapy, (ii) All Saints Institute of Medical Sciences, (iii) Mahatma Hans Raj DAV Institute of Nursing, (iv) Malwa College of Nursing and (v) Meera Medical Institute of Nursing.

40 Duration of Course means time required for completion of degree/course i.e. four years for bachelor degree and two years for Post-Graduation degree.

illegal. DCI also clarified (February 2015) that competitive examination was mandatory for admissions to BDS and MDS courses.

Audit observed that, all the 11 (including 3 test checked PCs) private dental colleges affiliated with BFUHS made 467 (2012-13), 47 (2013-14) and 381 (2014-15) admissions without competitive examination. Admission of 514 students who did not appear in the requisite competitive examination was regularized under the direction of Hon'ble High Court, while plea for regularization of 381 students (2014-15) was rejected by the Hon'ble Court and no registration was made by the University. On being asked by audit (July 2015), no action was taken against the PCs by the University.

In the exit conference the Department admitted the audit observation. However, any proposed action in this regard has not been intimated by the department.

2.1.8 Resource management

2.1.8.1 Lack of senior/qualified faculty in the PUs and PCs

(i) As per clause 3.0.0 of UGC Regulations, 2010 (minimum qualification for teachers) an Assistant Professor should have a Masters degree with good academic record and the candidate should have cleared the National Eligibility Test (NET) conducted by the UGC, CSIR or similar tests accredited by the UGC like SET/SLET[41]. Professor and Associate Professor should have Ph. D qualification in relevant discipline and have 10 and eight years of teaching experience respectively in University/college and Professor would have with evidence of published work with a minimum of 10 publications. The AICTE vide notification (2010) had prescribed a ratio of 1:2:6 for Professors to Associate Professor and to Assistant Professor in Under Graduate (UG) courses. Assistant Professor must be qualified with Ist class masters degree in appropriate discipline, Associate Professor should have qualification of Assistant Professor with PhD in the appropriate discipline and Professor having qualification of Associate Professor with post PhD publication and guiding PhD. UGC had also fixed the maximum age of the faculty members as 65 years.

Audit examined the information available in the recognition files submitted by six[42] PUs to the UGC during 2010-11 to 2013-14 and observed that the faculty appointed did not have the prescribed qualification, as detailed in **Table 2.1.1**. Moreover, five[43] PUs had not maintained the appropriate ratio amongst the faculty.

41 State Eligibility Test/State Level Eligibility Test.

42 (i) SGGSWU; (ii) Chitkara; (iii) Desh Bhagat; (iv) Chandigarh; (v) Guru Kashi; and (vi) Adesh University.

43 (i) Adesh; (ii) Chitkara; (iii) Desh Bhagat; (iv) SGGSW; and (v) Guru Kashi Universities.

Table 2.1.1: Faculty appointed without prescribed qualification

Name of the University	Year	No of faculty			Qualification of the available faculty									NET
					Professor (Prof)			Associate Professor (AP)			Assistant Professor (AsP)			
		Prof	AP	AsP	PhD	PG	Grad-uate	PhD	PG	Grad-uate	PhD	PG	Grad-uate	
Desh Bhagat	2013-14	57	76	314	41	15	1	32	34	10	13	209	79	13
Adesh	2012-13	61	58	128	3	58	0	2	56	0	0	128	0	0
Chitkara	2010-11	14	3	185	2	10	2	2	1	0	2	130	44	9
Chandigarh	2013-14	68	127	434	60	8	0	47	79	1	4	421	9	0
SGGSWU	2011-12	4*	7	108	4	0	0	7	0	0	35	51	0	22
GuruKashi	2012-13	8	10	33	8	0	0	4	6	0	0	31	2	0
Total		**212**	**281**	**1202**	**118**	**91**	**3**	**94**	**176**	**11**	**54**	**970**	**134**	**44**

Source: recognition files submitted by the PUs to the UGC during 2010-11 to 2013-14
**** age 70 years and above***

The above table showed that out of 212 Professors, 281 Associate Professors and 1202 Assistant Professors appointed by these PUs, three Professors, 11 Associate Professors and 134 Assistant Professors were graduates only. Similarly, 91 Professors, 176 Associate Professors and 970 Assistant Professors were post graduates only. All four Professors appointed by SGGSWU were aged 70 years and above. In the absence of non-availability of updated position in respect of faculty member in UGC files, audit could not verify present status of appointment of faculty members in the PUs.

(ii) Audit observed from the records of 23 test checked PCs affiliated (2013-15) with PTU, that in five[44] post graduate (PG) PCs, Professors and Associate Professors were not appointed, in six[45] PCs graduate faculty was appointed for PG courses and in 16 PCs, 440 (27 *per cent*) faculty was only graduate. Moreover, all the 23 PCs were running their academic programme without having appropriate ratio amongst the teaching faculty. Twenty-two PCs (UG) maintained a ratio of 1:1.6:30 (Total 1338 faculty: 41 Professors, 66 Associate Professors and 1231 Assistant Professors). Similarly, 18 PCs imparting PG courses had not maintained the stipulated ratio.

(iii) Audit observed from the records provided by the PUP for the year 2014-15 that 11[46] PCs (PG) out of 23 test-checked PCs had not appointed Associate Professor or Professor for PG courses and 88 *per cent* faculty was only Post Graduate. Twenty PCs were running without Professors and Associate Professors. Three[47] PCs had appointed only one Professor each for

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44 (i) Ferozepur Institute of Management; (ii) CKD Institute of Management; (iii) Ideal Institute of Management & Technology; (iv) Arya Institute of Management & Technology; and (v) Northern India Institute of Fashion Technology.

45 (i) Ferozepur Institute of Management; (ii) Doaba Khalsa Group of Institute; (iii) Adesh Institute of Engineering; (iv) CT Institute of Engineering and Management; (v)Banda Singh Bahadur Engineering Institute; and (vi) GNA Institute of Management and Technology.

46 (i) Asian Educational Institute; (ii) Continental College; (iii) Cordia College; (iv) Asra Institute of Advance Studies; (v) Guru Teg Bahadur College for women; (vi) Sant Kabir College of Education; (vii) Colonel Degree College; (viii) Colonel College of Education; (ix) Vidhya Sagar College for girls; (x)Akal College of Education; and (xi) Pearl IHM.

47 (i)Vidhya Sagar College of Management; (ii) RIMT College of Education; and (iii) Shivam College of Education.

PG courses. All the test checked colleges were running their UG and PG courses without having the appropriate ratio amongst the faculty.

(iv) Audit observed from the records (2014-15) of BFUHS of 12 PCs that in three[48] PCs (information of nine PCs was not provided by BFUHS) 65 *per cent* of faculty were under qualified and in seven[49] PCs adequate number (as per INC guidelines) of teaching staff was not available. Lack of qualified faculty in the PUs/PCs could adversely affect the quality of education.

In the exit conference Department admitted that shortage of senior faculty in the region made maintenance of appropriate ratio difficult and agreed to take necessary action. Sub-Dean, BFUHS agreed to initiate corrective measures.

2.1.8.2 Non-availability of regular Principal and faculty in PCs

Punjabi University, Patiala had directed (October 2006) all the B.Ed colleges in the State to appoint regular Principal, any violation would attract a penalty of ₹50,000 per month on the defaulting institution. Further, according to the norms fixed (April 2007) by PUP, the affiliated PCs were required to have at least 67 *per cent* regular teaching staff. Provision of penalty (₹ 25000 each per month) for non-availability of regular teaching staff and non-teaching staff was also made.

Audit observed from the information (June 2015) provided by the PUP that, out of 80 PCs (B.Ed), five[50] PCs had no Principals and 33 PCs (including six[51] test checked PCs) had only officiating Principals.

Audit further observed from the information provided by the PUP that nine[52] out of 23 PCs had not appointed regular Principals during 2014-15. Similarly, in four[53] out of 23 these PCs, all the faculty was on adhoc/contract basis, and in other 19 PCs more than 50 *per cent* faculty was on contract basis. The University had not imposed the stipulated penalty.

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48 (i) Adarsh College of Nursing; (ii) Aman Bhalla College of Nursing; and (iii) VMS Institute of Nursing & Paramedical Sciences.

49 (i) Lala Lajpat Rai Institute of Nursing; (ii) Guru Nanak College of Nursing; (iii)APS College of Nursing; (iv) Aman Bhalla College of Nursing; (v)Life Guard Nursing Institute; (vi) Mother Marry's Institute; and (vii) Swami Vivekanand College of Nursing.

50 (i) Guru Nanak College of Education; (ii) Mata Gurudev Kaur Memorial Educational Institute (Girls); (iii) Meera College of Education; (iv) SS College of Education; and (v) Rattan Professional Education College.

51 (i) Sant Kabir college of Education; (ii) RIMT college of Education; (iii) Akal College of Education; (iv) Colonel College of Education; (v) Guru Teg Bahadur College of Education; and (vi) Guru Teg Bahadur College of Education for Women.

52 (i) Continental College of Higher Studies; (ii) Asian Educational Institute; (iii) Cordia College; (iv) Guru Teg Bahadur College of Women; (v) Guru Nanak College of Education; (vi) Barkat College of Education; (vii)RIMT College of Education; (viii)Akal College of Education; and (ix) Pearl IHM.

53 (i)Vidhya Sagar College of Management and Technology; (ii) Guru Teg Bahadur College of Education; (iii) Guru Teg Bahadur college of Education for Women; and (iv) Guru Nanak College of Education.

In the exit conference the Department admitted the audit observation and stated that they would try to rectify the situation.

2.1.8.3 Payment of salary to teaching/non-teaching staff by PCs

(i) Clause 14 of model guidelines of UGC provides that the members of the teaching and non-teaching staff shall be regularly and fully paid as per the pay scales, dearness allowance, etc. prescribed by the State Government/ University. The PUP in its affiliation orders directed the colleges to pay salary to the faculty as per the UGC grades as adopted by the University.

Audit observed from the information provided by the PUP that salary to the teaching staff of 21 PCs (out of test checked 23 PCs) had not been paid as per UGC scales and non-teaching staff of 20 PCs had not been paid as per State Government pay scales during 2014-15.

(ii) Audit observed from records maintained by the BFUHS that 10 out of the 12 test-checked colleges (two did not furnish the information) were not disbursing salary as per UGC scales to the teaching faculty and non teaching staff were not being paid as per State Government pay scales.

In the exit conference the Department admitted the audit observation. However, remedial action proposed, if any, was not intimated.

2.1.8.4 Physical Inspection

Under appendix 5 of UGC Regulation (for affiliation of colleges) 2014, colleges were required to maintain computer laboratories, science laboratories, good library, residence for Principal/staff, hostel facility, co-curricular activities and good building.

Physical inspection of six[54] PCs, affiliated to PUP, carried out along with the representatives of the university, showed the following irregularities with reference to UGC/Punjabi University guidelines, in respect of their building and infrastructure.

(i) Computer laboratory

No computer laboratory was available in Sardar Amarjit Singh Memorial Institute of Law, Denthal (Patiala). In two[55] colleges more than 50 *per cent* computers were non-functional or damaged.

(ii) Maintenance of library

Regular librarian, assistant librarian, attendant and restorer were not appointed in two[56] colleges. In three[57] colleges (Vidya Sagar, Continental and

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[54] (i) Sardar Amarjit Singh Memorial Institute of Law; (ii) Vidya Sagar College of Management and Technology; (iii) Asian Education Institute; (iv) Asra Group of Institutions; (v) Continental College of Higher Studies; and (vi) Cordia College.

[55] (i) Asian Education Institute; and (ii) Vidhya Sagar College of Management and Technology.

[56] (i) Vidya Sagar and (ii) Asian College.

[57] (i) Vidya Sagar, (ii) Continental College and (iii) Cordia College.

Cordia) running post graduate library science courses, library was not computerized and their libraries had no catalogue system.

(iii) Science laboratory

Science laboratory was not available in Vidya Sagar college and Chemistry laboratory was non-functional in Asian college where only one laboratory attendant was available for all the laboratories.

(iv) Residence for Principal, staff and hostel facility

Residential facility to the Principal and staff was not provided in all the inspected colleges. No hostel facility was available in three[58] colleges.

(v) College Building

Two[59] college buildings were in a dilapidated condition.

(vi) Co-curricular activities.

Four[60] PCs had not appointed any Lecturer/Assistant Professor of physical education, whereas in two[61] PCs indoor games facility was not provided.

Above noted deficiencies were prevailing ever since the affiliation of the colleges. Inspection teams deputed by the University for physical inspections had not presented clear and true reports and recommended for affiliation of college/approval for new courses despite deficiencies. This resulted in affiliation of colleges without sufficient infrastructures required for imparting quality education.

In the exit conference the Department admitted the audit observation but the action proposed, if any, has not been intimated to audit.

2.1.8.5 Non-maintenance of EPF/CPF of the staff of PCs

Government of India had made (September 2014) it mandatory to maintain EPF for individuals drawing salary less than ₹15,000 per month. Further, EPF rules provide that firms with twenty or more employees fall under the purview of Employees' Provident Fund Organization, which administers the contributory provident fund schemes.

(i) Audit observed from the affiliation files and information provided by

58 (i) Asian College; (ii) SASM; and (iii) Vidhya Sagar College.
59 (i) SASM; and (ii)Vidhya Sagar College.
60 (i) Vidya Sagar; (ii) SASM Asian; (iii) Continental; and (iv) Cordia college.
61 (i) Sardar Amarjit Singh Memorial Institute of Law; and (ii) Vidya Sagar College of Management.

the BFUHS, Faridkot for 2014-15 that six[62] out of twelve test checked PCs were not maintaining EPF/CPF (March 2015) of their teaching and non-teaching staff. One college (Mother Merry's Institute of Nursing) was maintaining EPF of non-teaching staff only.

(ii) Audit observed from the affiliation file and information provided by the PUP that 11 out of 23 PCs had not maintained EPF/CPF (March 2015) of their entire staff. Out of remaining 12, six[63] PCs had partially maintained EPF of only 49 out of 63 non-teaching staff and 59 out of 438 teaching staff whereas other six[64] PCs had maintained EPF in respect of 41 out of 128 non-teaching staff only. PTU had not provided the information of the affiliated PCs regarding maintenance of EPF/CPF of its staff.

In the exit conference the Department admitted the audit observation and stated that the matter would be taken up with the concerned institutions to ensure compliance with statutory provisions.

2.1.9 Internal control mechanism

2.1.9.1 Non-conducting of periodic inspections of PUs by the UGC

Under clause 4 of UGC Regulations, 2003, UGC may cause periodic inspection of PUs offering their programmes.

Audit observed from the information collected from UGC that no periodic inspection of any PUs of the State had been conducted by UGC up to May 2015 except an initial inspection of eight PUs (two PUs had not submitted information for inspection purpose) at the time of enlistment of the PU in the UGC list.

2.1.9.2 Non-assessment of PUs by statutory bodies

Section 25, 28, 29 of the Acts of all the PUs provide that it shall be mandatory for the Universities to follow UGC Regulations, 2003 and regulations made by other regulatory bodies. Clause 3.4 of the UGC Regulations, 2003 provides that PU shall fulfill the minimum criteria in terms of programmes, faculty, infrastructural facilities, financial viabilities, etc. as laid down from time to time by the UGC and other concerned statutory bodies (AICTE, DCI, INC, NCTE, etc.).

Audit observed from the establishment files of PUs at the office of the PSHEP and information obtained from AICTE and NCTE that no clearance from these regulatory authorities had been obtained by any of the PUs of Punjab. As such, Audit could not verify whether the PUs were following the norms of the regulatory bodies or not.

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[62] (i) Adarsh College of Nursing; (ii) Chintpurni Institute of Nursing; (iii) Life Guard Institute of Nursing; (iv) Mother Marry's Institute of Nursing; (v) Sandhu Institute of Nursing; and (vi) VMS Institute of Nursing.

[63] (i) Continental College; (ii) Cordia College; (iii) Barkat College; (iv) SRSM; (v)Akal College of Education; and (vi) Pearl IHM.

[64] (i) Asian Education Institute; (ii) Guru Teg Bahadur College for women; (iii) Guru Teg Bahadur college of Education; (iv) Guru Nanak College; (v) RIMT College of Education; and (vi) Vidya Sagar College.

In the exit conference the Department stated that PUs were not required to undergo periodical inspection by the statutory bodies. Audit reiterated that as per PUs Act, they were nevertheless bound to follow the norms of all the statutory bodies and there ought to be a mechanism to ensure this.

2.1.9.3 Non-assessment and accreditation of PUs from NAAC

Under the provision 4.1 of UGC Regulation, 2012 (Mandatory Assessment and Accreditation of higher Educational Institutions) it is mandatory for each higher educational institution to get accredited by the accreditation agency after passing out of two batches or six years of establishment, whichever is earlier, in accordance with the norms and methodology prescribed by such agency or the commission as the case may be.

Audit observed from the record of PUs at UGC that three[65] PUs had passed out two batches and two[66] PUs had completed six years of establishment but no PU of Punjab had been accredited by National Assessment Accreditation Council (NAAC) up to May 2015 as per the information collected from NAAC.

In the exit conference the Department admitted the audit observation and stated that they were insisting that PUs get NAAC accreditation. Further mentioned that Chitkara University was going to apply for NAAC accreditation. Additional Director, Technical Education stated that the deadline for the accreditation of LPU had been fixed as 31 December 2015.

2.1.9.4 Non/poor availability of periodical inspection system in PCs

Clause 21 of Model guidelines of UGC (regarding conditions of affiliation of colleges), provides that the affiliated colleges would be inspected by the University from time to time, but at least once in three years by one or more competent persons authorized in this behalf and report of the inspection would be made to the Executive Council.

(i) Audit observed from the records of PCs at Punjabi University, Patiala (PUP) that the University had affiliated 194 PCs but no periodical inspection was carried out even of a single college during 2010-15. Further Audit observed from the affiliation files of PCs affiliated with PUP that the University had a practice of forming separate inspection committees for granting affiliation of new colleges, to start a new course in already affiliated colleges and for the enhancement of seats in existing courses. In 23 test checked colleges, inspection committees had not submitted their point wise report on each instruction/guideline, (issued by PUP for each course) verifying the factual position for creating additional infrastructure, coping with the additional courses, providing separate building/class rooms for enhanced student strength or availability of additional faculty for the students/courses. Evidently affiliations were being granted without fulfillment of basic criteria fixed by the University and without provision of requisite facilities.

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[65] (i)LPU; (ii) Chitkara; and (iii) Sri Gurugranth Sahib World University.

[66] (i) LPU; and (ii) Sri Gurugranth Sahib World University.

(ii) Audit observed from the record of PCs at PTU that out of total 292 affiliated colleges, the University had conducted the academic audit of 92 (including 12 test checked PCs) colleges during 2010-14. All the affiliated PCs could not be covered during the last five years. Non/short inspections deprive the PCs from taking remedial measures based on the recommendations of inspection reports. It was also observed that no monitoring mechanism was set up to recover the outstanding dues (₹ 58.18 lakh and ₹ 9.84 crore in paragraphs 2.1.6.5(ii) and 2.1.6.6) from the concerned institutions.

(iii) Audit observed from the inspection reports carried out by the BFUHS for the year 2013-14 and 2014-15 of the 112 PCs and 99 PCs including 12 and 9 test checked PCs respectively showed that four inspections were carried out by single member committee[67] and 225 committees were formed with only two members, resulting into violation of clause 4.6 of UGC Regulation, 2009 providing formation of committee for inspection.

In the exit conference the Department admitted the audit observation and stated that they would conduct periodical inspection from this year and they would incorporate all important matters in the inspection proforma and compliance would be made. Further, Department stated that they would do 100 *per cent* inspections during 2015-16.

2.1.9.5 Monetary benefits to the inspecting staff resulting into violation of TA Rules

Government of Punjab (Department of Finance) circulated TA/DA rules as recommended by the Fifth Punjab Pay Commission (December 2012), PUP adopted the same. As per TA rules, daily allowance ranging between ₹ 60 and ₹ 160 was admissible to the staff.

(i) Audit observed from record of PUP that the Syndicate of the University had granted permission to collect cash from the entity (PC being inspected) by the inspecting staff at the rate of ₹ 2000 per member with effect from April 2014 (earlier it was ₹ 1000) and TA at the rate of ₹ 10 per km. During the period 2013-15, 621 faculty members were deputed for a single day for the inspection of the PCs. They collected ₹ 2.52 lakh and ₹7.38 lakh at the rate of ₹ 1000 and ₹ 2000 per member from the PCs on the day of visit by irregular deviation of Government instructions. This resulted in undue financial advantage to the University employees.

(ii) Syndicate of the University had also permitted collection of cash from the PCs by the selection committee members, deputed by the University for selection of faculty in the PCs, at the rate of ₹ 750 per member and TA at the rate of ₹ 10 per km. During 2012-13, 160 selection committees consisting of 915 members were formed and sent to different PCs and the members had taken ₹ 6.86 lakh at the rate of ₹ 750 per candidate from the PCs.

[67] One Expert for each of the subject areas proposed; Dean, College Development Council/an equivalent academician of the University; A representative of the higher education department of the Government not below the rank of Deputy Director; An Engineer from the PWD/CPWD or the University not below the rank of Executive Engineer; and One of the subject experts at the level of Professor, as nominated by the VC, shall be the Chairperson of the Committee.

The record related to formation of inspection committee and selection committees for the year 2010-12 & 2013-15 was not produced to audit team and amount taken by the inspection teams from private colleges for this period could not worked out.

In the exit conference the Department admitted the audit observation and stated that they were acting as per decision of the Syndicate. The Principal Secretary, Technical Education and Secretary, Higher Education were of the view that the practice of collecting cash from Private Colleges was not healthy. Further they stated that PUP should charge requisite fee and deposit it in its accounts like other two universities selected for Performance Audit. However, the action proposed, if any, has not intimated to audit.

Conclusions

There is no regulatory mechanism to ensure compliance of the conditions of the PPUP, 2010/Act under which the PUs were established. Instances of establishment of PUs without removal of deficiencies, permission for change of land use and approval of building plans were noticed. Despite non-availability of sufficient staff as well as land, as required under the guidelines of UGC, many PCs were affiliated with Government Universities. Irregularities in creation of Endowment Fund were noticed. Functioning of PUs without mandatory clearance from the UGC, admission to BDS course without conducting pre-medical entrance test, non-appointment of regular Principals and running of courses with under qualified faculty, non-conducting of periodical inspection of PUs/PCs was also noticed and internal control system was weak.

Recommendations

The State Government/Universities may consider:

(i) fulfillment of prescribed criteria of Punjab Private Universities Policy, 2010 through formation of regulatory mechanism prior to granting the permission for establishing a private university;

(ii) verification of the approval of change of land use/building plans from the competent authorities before granting approval/affiliation to the private universities/colleges;

(iii) creation/ maintenance of Endowment Fund in respect of all the private universities/colleges.

(iv) to build suitable control mechanism to check excess charging of fee from the students by the private colleges;

(v) amendment in the Acts of private universities in context of off-campus facilities provided in certain private universities; and

(vi) formation of the inspection teams as per University Grants Commission's norms.

The matter was referred to the Government in August 2015: reply was awaited (January 2016).

DEPARTMENT OF HIGHER EDUCATION

2.2 Working of Guru Nanak Dev University

Guru Nanak Dev University (GNDU), Amritsar was established in November 1969 under the Guru Nanak Dev University Act, 1969 (Punjab Act 21 of 1969) with the main objective of imparting education and promoting research in Humanities, Learned Professions, Sciences especially of applied nature and technology and other branches of learning.

Some of the significant findings of Performance Audit are given below:

- ***Budget estimates were not realistic as actual receipts were more than revised estimates and the expenditure was less than revised estimates. Variations in receipts ranged between 9 and 39 per cent while it was 11 and 25 per cent in expenditure.***

(Paragraph 2.2.7.1)

- ***Technical Education Quality Improvement Programme-II could not be initiated due to non-release of Government of India grant of ₹ 2.25 crore by Government of Punjab and the University was denied the opportunity to strengthen its technical education programme.***

(Paragraph 2.2.7.2)

- ***Temporary advances amounting to ₹ 4.78 crore pertaining to the period from 1972-73 to 2014-15 were not adjusted, in the absence of which the actual amount incurred from these advances and its authenticity could not be ascertained.***

(Paragraph 2.2.7.6)

- ***Irregular grant of secretariat pay to the employees resulted in extra burden of ₹ 4.44 crore on the University during 2011-15. The University made excess payment of ₹ 6.34 crore on account of interest to its employees on GPF/CPF during 2010-15.***

(Paragraphs 2.2.7.7 and 2.2.7.8)

- ***The University, two Regional Campuses and 73 affiliated colleges offered courses during 2010-15 which were not specified by UGC.***

(Paragraph 2.2.8.1)

- ***The shortage of teaching staff ranged between 39 and 65 per cent while shortage of non-teaching staff ranged between 16 and 92 per cent during 2010-15.***

(Paragraph 2.2.9.1(i & ii))

2.2.1 Introduction

Guru Nanak Dev University, Amritsar was established in November 1969 under the Guru Nanak Dev University Act, 1969 with the main objective of imparting education and promoting research in Humanities, Learned Professions, Sciences especially of applied nature and technology and other branches of learning. GNDU is spread over 500 acres of land and has 68 departments (46 teaching and research and 22 non-teaching), four regional campuses, nine constituent colleges[68] and 142 affiliated colleges[69].

The GNDU had been bestowed (January 2012) with the award, "University with Potential for Excellence" (UPE) from the University Grants Commission (UGC). Further, the GNDU got Grade 'A' (with a Cumulative Grade Point Average of 3.51 on a four point) accreditation for a period of five years from 10 December 2014, by the National Assessment and Accreditation Council (NAAC), Bangalore in 2014.

2.2.2 Organizational set-up

The Governor of the State is the Chancellor of the University and presides over the convocations of the University. The Vice-Chancellor is the Principal Executive and Academic Officer of the University who exercises control over the affairs of the University. He is assisted by a Registrar, Deans and Directors of Departments/institutes, Finance Development Officer, a Controller of Examinations, Five Deputy Registrars, an Executive Engineer, and Four Wardens.

2.2.3 Audit objectives

The Performance Audit was conducted with the objectives to ascertain whether:

- there was proper planning of the various activities of the University;
- financial management, mobilization and utilization of resources was efficient and effective;
- the academic programmes were efficiently managed in accordance with the prescribed norms;
- the human resource, infrastructure and estate management was adequate and as per norms; and
- effective internal control mechanism was in place.

2.2.4 Audit criteria

The audit criteria was sourced from the following:

- GNDU Act, 1969 and its Ordinances;
- Plan and budget documents and orders/sanctions/circulars of UGC;

[68] Constituent college: Constituent colleges are part of the University and are run by the University.

[69] Affiliated college: The affiliated colleges are affiliated to the University.

- Academic Rules and Regulations of GNDU;
- Punjab Financial Rules; and
- Public Works Department Code.

2.2.5 Audit scope and methodology

The Performance Audit (PA) for the period 2010-15 was undertaken during December 2014 to June 2015 under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 and commenced with an entry conference with the Vice Chancellor and Registrar on 20 February 2015 in which audit objectives, criteria and scope of audit were discussed. Out of 68 departments, four regional campuses and nine constituent colleges, 18 departments (12 teaching and six non-teaching), two regional campuses[70] and one constituent college[71] were selected by Probability Proportional to Size with Replacement method. Besides this, the office of the Principal Secretary, Department of Higher Education, Punjab was also visited to scrutinize related records and wherever necessary, the data of affiliated colleges/RCs was also taken into consideration while finalizing the Performance Audit report. The exit conference was held on 17 December 2015 with the Secretary to Government of Punjab, Department of Higher Education and Registrar, GNDU and the replies have been incorporated in the Performance Audit report.

Audit findings

2.2.6 Planning

2.2.6.1 Non-functioning of Planning Board

Chapter 1(iii) of the GNDU Calendar (Ordinances and Regulations, 2007) provides that the University would constitute a Planning Board (Board), which would consist of 23 members including Chairman (Vice Chancellor) and the term of the Board would be one year from 1 of April to 31 of March. The Board was to advise on starting of new courses, new plans for administrative and academic development of the departments and relevant matters concerning welfare of the teachers, students, employees and matters relating to sports and various academic, administrative and cultural activities at the campus. However, audit observed that the last nominations for the Board were made in March 2013 for one year which was extended from April 2014. The last meeting of the Board was held in March 2013. Non-formation of the board was violative of the University calendar.

2.2.7 Financial management

The GNDU is financed through grants from the State Government, UGC and from other funding agencies, viz. All India Council of Technical Education (AICTE), Council for Scientific and Industrial Research (CSIR), Indian

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[70] GNDU, Regional college, Jalandhar and Gurdaspur.

[71] ASSM college, Mukandpur.

Council of Historical Research (ICHR), Department of Science and Technology (DST), etc. and also generates its own income by means of examination fee, tuition fee and funds, sale of prospectus, syllabi, forms and rent, etc.

The details of income and expenditure during 2010-15 were as shown in **Table 2.2.1.**

Table 2.2.1: Statement showing details of receipts and expenditure

(₹in crore)

Year	Opening Balance	Grants received	Income from own sources	Interest	Total Income	Expen-diture	Percentage of own income to total expenditure	Closing Balance Amount (*per cent*)
2010-11	32.75	23.70	107.31	1.81	165.57	122.67	87.48	42.90 (26)
2011-12	42.90	35.33	136.99	2.19	217.41	142.70	96.00	74.71 (34)
2012-13	74.71	38.35	154.46	4.74	272.26	175.08	88.22	97.18 (36)
2013-14	97.18	42.30	172.26	6.92	318.66	201.99	85.28	116.67 (37)
2014-15	116.67	43.55	187.02	4.81	352.05	223.56	83.66	128.49 (36)
Total					**1325.95**	**866.00**		

Source: Records maintained by the University

The above table shows that the total income of the GNDU was ₹ 1325.95 crore against which an expenditure of ₹ 866 crore was incurred. Further it was observed that closing balance ranged between 26 and 37 *per cent* of the total receipts.

The University stated (October 2015) that it had made vigorous efforts to increase the income from own sources by increasing the seats in the teaching departments and made all efforts to decrease the expenditure. It was not necessary for the University to utilize the entire income during the financial years. The increasing trend of the closing balance was, however, a sign of good financial health of the University. The fact remained that despite availability of funds, posts of teaching staff were not filled by the university as discussed in the paragraph 2.2.9 (i).

2.2.7.1 Unrealistic budget estimates

Para 5.3 of Punjab Budget Manual envisages that budget estimates should be framed as accurately as possible and utmost foresight should be exercised in framing the estimates. Details of Budget Estimates (BE), Revised Estimates (RE), actual receipts and expenditure during 2010-15 are given in **Table 2.2.2**:

Table 2.2.2: Details of budget estimates of receipts and expenditure

(₹ in crore)

Year	Receipts			Expenditure		
	BE	RE	Actual (Percentage of variation from RE)	BE	RE	Actual (Percentage of variation from RE)
2010-11	133.39	130.65	165.57 (27)	192.85	138.21	122.67(-11)
2011-12	153.75	156.82	217.41 (39)	242.58	190.70	142.70 (-25)
2012-13	181.77	213.10	272.26 (28)	263.81	219.81	175.08 (-20)
2013-14	181.95	229.68	318.66 (39)	284.77	263.06	201.99 (-23)
2014-15	195.66	215.14	235.38 (09)	299.68	277.10	223.56 (-19)

Source: Records maintained by the University; ***BE:Budget estimate and RE:Revised estimate***

It is evident from the table that actual receipts were more than RE while actual expenditure was less than RE. Variations in receipts ranged between 9 and 39 *per cent* while it was 11 and 25 *per cent* in expenditure which shows that the budget prepared by the university was not realistic. In the exit conference, the department stated that budget estimates in respect of receipts and expenditure were prepared on the basis of average of the last two years' figures. However, utmost care would be taken while preparing the budget estimates in future.

2.2.7.2 Non-release of Government of India's grant by State Government

The Ministry of Human Resource Development (MHRD) approved (December 2009) a grant of ₹ 10 crore to GNDU under World Bank Assisted programme "Technical Education Quality Improvement Programme (TEQUIP)-II of Government of India". The objectives of the project were: (i) Strengthening institution to produce high quality Engineers for better employability, (ii) Scaling-up post-graduate education and demand-driven research & development and innovation, etc. The project was to be implemented as a Centrally Sponsored Scheme in the ratio of 75:25 between MHRD and State. MHRD released (February 2013) ₹ 2.25 crore to Punjab Government for onward transmission to GNDU.

Audit observed from the records that Director, Technical Education and Industrial Training Department, Punjab asked (April 2013) GNDU to deposit 25 *per cent* share of the State Government in the treasury so that the matter might be taken up with the State Government to release the grant during 2013-14. Accordingly, GNDU deposited (July 2013) ₹ 75 lakh into the treasury which the State Government refunded (March 2015). However, the central funds of ₹ 2.25 crore were not released (December 2015) by State Government despite various reminders by GNDU.

Thus, due to non-release of grant of GOI, the World Bank assisted programme i.e. TEQUIP-II could not be initiated and the University was denied an opportunity to strengthen its technical education programme. In the exit conference, the department stated that the State Government had not released the GOI's grant (December 2015).

2.2.7.3 Short release of funds of Post Matric Scholarship scheme

Post Matric Scholarships Scheme for scheduled castes (SC) was launched (July 2007) with a view to provide financial assistance to the scheduled caste students studying at post matriculation or post-secondary stage to enable them to complete their education.

Scrutiny of records of scholarship branch showed that as per instructions (May 2012) of Director of Public Instructions (DPI), Colleges, GNDU provided scholarship of ₹ 2.92 crore to 494 Schedule Caste students during 2012-13. However, against the claim for ₹ 2.92 crore preferred with DPI, (Colleges) only ₹ 2.11 crore were released which resulted in an extra burden of ₹ 0.81 crore on the university. In the exit conference, the department stated that it had made efforts for the release of balance funds. However, the funds had not been released to the university (December 2015).

2.2.7.4 Non-preparation of Balance Sheet

As per Para 13(8) of GNDU Act, the statement of receipts and expenditure, balance sheet and the financial estimates are required to be presented in the annual meeting of the Senate.

Audit observed that GNDU was preparing only Income and Expenditure Accounts and not the Balance Sheet since its inception. In the absence of Balance Sheet, the status of assets, liabilities, loans and advances, cumulative excess of income over expenditure, etc., could not be ascertained. In the exit conference, the department stated that efforts would be made for the preparation of Balance sheet.

2.2.7.5 Unjustified out-sourcing of printing work

The University had its own Printing Press having 50 machines and technical staff ranging between 45 and 57 during 2010-15. Audit observed that despite the availability of printing machines and technical staff, answer sheets (40 pages, 32 pages and 08 pages) were printed from outside on which an expenditure of ₹ 5.78 crore was incurred during the said period.

In the exit conference, the department stated that the facility for printing OMR answer sheets was not available with the University. Besides, the printing of OMR answer sheets from outside was cheaper. All the printing work other than the answer sheets was done in the printing press of the University and the staff deployed in the printing press was temporary. Reply of the department was not tenable as no documentary evidence in support of the fact that it was economical to get printing done from outside was produced to audit.

2.2.7.6 Non-adjustment of advances

Audit observed that advances of ₹ 4.78[72] crore paid by Accounts Branch (₹ 1.34 crore) to the concerned professors to meet the expenditure for Joint Entrance Tests between 1996-97 and 2014-15, by Contingency Section[73] (₹ 2.63 crore) to Assistant Registrar (General), Heads of various departments, Professors and directors etc. between 1983-84 and 2014-15 and by Engineering Department[74] (₹ 0.81 crore) to Executive Engineers between 1972-73 and 2014-15 were not adjusted. Neither the recovery of the advances given was regularly pursued nor any action was taken against the defaulters by the University. In the exit conference, the department stated that efforts were being made for the adjustment of advances. The advances which were very old would be written off.

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72 The advances pertains to more than 15 years (₹ 0.06 crore), 10 years (₹ 0.05 crore), 5 years (₹ 1.30 crore) and less than 5 years (₹ 3.37 crore).

73 Contingency Section: Internet Connection, Purchase of buses, Stationery, Tour, Furniture, Hospitality and Seminars, etc.

74 Engineering Department: Advance for bricks, cement and steel, etc.

2.2.7.7 Irregular grant of secretariat pay plus HRA and DA thereon

Government of Punjab, Department of Finance converted (December 2011) Secretariat allowance into secretariat pay admissible to various categories of employees who are working in Punjab Civil Secretariat, Punjab Vidhan Sabha, Financial Commissioner office, Legal Remembrance, Punjab Raj Bhawan, Public Commission and other equivalent offices.

Audit observed from the records that GNDU had granted secretariat pay to its employees from 1 December 2011, though GNDU, being an autonomous body, was not declared equivalent to Punjab Civil Secretariat (October 2010). The grant of secretariat pay to the employees was irregular which resulted in extra burden of ₹4.44 crore on GNDU during the period December 2011 to March 2015.

In the exit conference the department stated that all the universities had been granting this allowance to its non-teaching staff and the decision for the grant of this pay was taken by the Syndicate. The reply of department was not tenable as the University adopted the pay scales of Punjab Government, whereas the Finance Department of Punjab had not declared the Universities equivalent to Punjab Civil Secretariat (October 2010).

2.2.7.8 Excess payment of interest to the Provident Fund subscribers

The Ministry of Human Resource Development (MHRD), Government of India after consulting the Ministry of Finance instructed (February 2004) all autonomous organizations under its jurisdiction that interest on General Provident Fund (GPF)/Contributory Provident Fund (CPF) at a higher rate than the rate notified by the Government should not be paid. However, lesser rate of interest than the rate notified could be paid depending on the financial position of the organization. University Grants Commission (UGC) also reiterated (April 2004) these instructions. Thus, it was mandatory for the University to adopt the rate of interest notified by the Government.

Audit observed from the record of GPF/CPF of GNDU for the period 2010-11 to 2014-15 that the University paid interest at the rate of 10 to 11 *per cent* to the GPF/CPF subscribers as against 8 to 9 *per cent* notified by the Government. Thus, the University made avoidable excess payment of ₹ 6.34 crore on account of interest to its employees during the said period in contravention of directions of MHRD/UGC. The details are given in the **Table 2.2.3.**

Table 2.2.3: Excess payment of interest on the GPF/CPF subscription

Year	Interest rate fixed by the Government	Interest rate allowed by GNDU	Interest credited	Interest due	Excess interest credited
	Per cent		Rupees in lakh		
2011-12 (4/11 to 11/11)	8.00	10.38	554.14	427.08	127.06
2011-12 (12/11 to 3/12)	8.60	10.38	277.07	229.56	47.51
2012-13	8.80	11.00	979.62	783.70	195.92
2013-14	8.70	9.98	995.83	868.11	127.72
2014-15	8.70	9.97	1068.50	932.39	136.11
Total			**3875.16**	**3240.84**	**634.32**

Source: Records maintained by the University

Note: ***Rate of interest allowed (7.58 per cent) to the subscribers by the University during the year 2010-11 was less than the rate of interest notified by the Government (8 per cent).***

In the exit conference the department stated that the funds of the subscribers were invested in the bank and the interest earned by the university was disbursed amongst the subscribers whether it was high or low. The interest notified by the Government was not taken into account. The reply was not acceptable as it had violated the directions of the MHRD and UGC.

2.2.7.9 Loss due to short recovery of electricity charges

The University had a single power connection from Punjab State Power Corporation Limited (PSPCL). During 2010-15, GNDU consumed 324.55 lakh units and paid electricity charges of ₹ 21.55 crore.

Scrutiny of record of payment of electricity bills showed that PSPCL granted benefit of low slab rate for only 300 units (1-100 unit category and 101-300 unit category) every month whereas GNDU granted the benefit of low slab (up to 300 units every month) to all the 449 occupants of the staff quarters who consumed 47.41 lakh units during 2010-15. GNDU collected ₹ 2.70 crore from the occupants of quarters as against ₹ 3.14 crore paid to PSPCL. Thus, during 2010-15, GNDU suffered a loss of ₹ 43.63 lakh on this account.

In the exit conference the department stated that it would take up the matter with PSPCL and the matter would be sorted out at Government level.

2.2.7.10 Loss due to payment of Service Tax

Audit observed from record of General Branch of GNDU that on the receipt of Notice (April 2015) from the Service Tax Department, GNDU paid Service Tax of ₹ 24.02 lakh (₹ 12,91,604 in March 2015 and ₹ 11,10,322 in May 2015) on the rental income from the shopping complex for the period between April 2008 and March 2015. However, the amount so paid was not recovered from the tenants, which resulted into loss of ₹ 24.02 lakh to GNDU.

In the exit conference the department stated that it was making utmost efforts for the recovery of outstanding service tax from the concerned tenants.

2.2.8 Academic activities

The University was offering doctorate in 40 disciplines/subjects, postgraduate courses in 57 disciplines and graduate courses in 18 disciplines. In addition, it also offered certificate, diploma and advanced diploma courses in various languages. Following important issues were noticed:

2.2.8.1 Unspecified courses

Under Section 22 of the UGC Act, 1956, degrees which may be awarded by the Universities are specified by the Commission. Further, UGC notified in the Gazette of India (May 2009 and July 2014) the list of academic courses (Degree(s)) to be run by the Universities. As per the UGC Act, "No university shall confer a degree in violation to the provisions of this notification. It shall be mandatory for the universities to adhere to the approved nomenclature of degree(s)".

Audit observed from the records of the university that during 2010-15, the University, two RCs (at Jalandhar and Gurdaspur) and its 73 affiliated colleges introduced courses which were not specified by the UGC and awarded degrees to 8027 students as shown in **Table 2.2.4.**

Table 2.2.4: Statement showing unspecified courses run by GNDU/RCs/Affiliated colleges

Name of new courses	No. of Students
B.Com. (Professional)	6446
B.A.,L.L.B.(Hons.)	526
L.L.B.(Hons.)	581
M.D (Sports Medicine)	8
Masters in Sports Physiotherapy	179
Masters in Exercise Physiology and Nutrition	51
Masters in Sports Physiotherapy (Hons)	64
Masters in Hospital Administration	134
Master in Sports Psychology	38
Total	**8027**

Source: Records maintained by the University

Offering courses without UGC's approval was in violation of the Act of UGC and hence irregular. In the exit conference, the department stated that the courses not specified by the UGC had now been stopped. However, the degrees awarded to such students would be treated as valid degrees. Reply was not tenable as no University could offer degrees in violation of the Act of UGC.

2.2.8.2 Vacant seats in regular courses

Audit observed from the records of enrolment of students for the period 2010-15 that a large number of seats in various courses remained vacant as detailed in **Table 2.2.5.**

Table 2.2.5: Detail of seats lying vacant during 2010-15

Sr. No.	Name of Department	Name of course	Seats sanctioned	Seats filled up	vacant Seats (Percent)
1.	Architecture	M. Arch	120	22	98 (82)
2.	Computer Science and Engineering	MCA Software system	300	102	198(66)
3.	Guru Nanak Studies	M. Phil Philosophy	56	0	56(100)
4.	Human Genetics	M.Sc.(Hons)	230	118	112(49)
5.	Music	M.A Hons (Instrument)	150	44	106(71)
6.	Psychology	PG Diploma in Mental Health Counseling	74	22	52(70)
7.	Sanskrit, Pali and Prakrit	M.A Sanskrit	110	31	79(72)
8.	Sanskrit, Pali and Prakrit	M. Phil Sanskrit	100	43	57(57)
9.	Sociology	M.A	120	78	42(35)
10.	Sociology	M. Phil	70	26	44(63)
11.	Sports, Medicine and Physiotherapy	Master in Sports Physiotherapy (Hons)	100	45	55(55)
Total			**1430**	**531**	**899**

Source: Records maintained by the University

The above table indicates that 35 to 100 *per cent* seats remained vacant in the various courses during the academic sessions 2010-15[75]. However, out of above said courses, an unspecified course i.e., Master in Sports Physiotherapy (Hons) was also run by GNDU. The University needs to re-assess the requirement of the concerned courses and increase or decrease the intake capacity accordingly.

In the exit conference, the department stated that the filling of seats depended on the demand. However, the number of seats would be reduced in future.

2.2.9 Human resource management

2.2.9.1*(i)* *Vacancies in teaching cadres*

For the purpose of maintaining academic standards in educational institutions, the availability of qualified and experienced faculty is a pre-requisite; otherwise shortage on this account may adversely affect the quality of education. The position of sanctioned posts and men-in-position of teaching staff during 2010-15 was as shown in **Table 2.2.6**.

Table 2.2.6: Vacancy position of teaching staff

Sr. No	Name of Post	2010-11			2011-12			2012-13			2013-14			2014-15			Percentage of shortfall
		S	F	V	S	F	V	S	F	V	S	F	V	S	F	V	
1.	Professor	151	87	64	150	91	59	159	92	67	155	91	64	160	84	76	39 to 48
2.	Associate Professor	155	66	89	166	69	97	167	69	98	161	66	95	173	61	112	57 to 65
3.	Assistant Professor	270	114	156	266	134	132	303	166	137	346	169	177	372	182	190	45 to 58

Source: Records maintained by the University;   S = Sanctioned Strength, F = Seats filled and V = Vacant posts

As is evident from the above table, the shortfall ranged between 39 and 65 *per cent* during 2010-15.

In the exit conference, the department stated that it was not in a position to spend huge amount on the salaries of the teaching staff. However, the teaching staff was hired on contract so that the quality of education was not affected. The reply of the department was not tenable as the University had surplus funds during 2010-15 as indicated in Para 2.2.7.

(ii) Vacancies in non-teaching categories

Audit observed from the record of the sanctioned posts in various categories of non-teaching cadres that a large number of posts were lying vacant during 2010-15 in Group 'A', 'B' and 'C'[76] categories. The posts of Controller of Examination, FDO, Deputy Librarian, Director Physical Education, Assistant Engineers, Divisional Head Draftsman, Divisional Accountant, Lab

[75] As intimated by the University (December 2015), information with regard to the number of students who applied for enrolment in each course was not available with the University.

[76] Group 'A'-Finance & Development Officer, Director/Dy Director/ Asstt Director, Engineer, Controller of Exam, System Programmer.
Group 'B'-Steno typist, Technician, DEO, Foremen, Accounts Clerk etc.
. Group 'C'-Security Guards, Beldars, Mali, helper etc.

Superintendent, etc., remained vacant during 2010-15. The vacancy position of non-teaching cadres is given in **Table 2.2.7**.

Table 2.2.7:Vacancy position of non-teaching cadre

Sr. No	Post	2010-11			2011-12			2012-13			2013-14			2014-15			Percentage of short-fall
		S	F	V	S	F	V	S	F	V	S	F	V	S	F	V	
1.	Group 'A'	25	03	22	25	03	22	25	03	22	25	03	22	25	02	23	88 to 92
2.	Group 'B'	628	408	220	628	352	276	646	311	335	651	278	373	680	334	346	35 to 57
3.	Group 'C'	232	195	37	232	183	49	232	181	51	232	168	64	232	160	72	16 to 31

Source: Records maintained by the University;
Note: S: Sanctioned Strength, F: Seats filled and V=:Vacant posts

The shortfall in the non-teaching categories, which ranged between 16 and 92 *per cent* during 2010-15, would adversely affect the administrative functions of the University.

In the exit conference the department admitted that a large number of posts in non-teaching categories were lying vacant. However, efforts made to fill up the posts were not intimated by the university.

2.2.9.2. Decreasing trend in campus placement of students

The University had established a Placement Cell in 1998 to cater to the needs of university students for their job placements in various institutions/ organisations both Government and Private having national/international reputation. As per records and information supplied to audit, placement of students from the following courses was declining in comparison to eligible/appeared students as per **Table 2.2.8**.

Table 2.2.8: Showing campus placement of student

Name of Department	Name of degree	Year	Number of students		Percentage of selected students
			Appeared	Selected	
Computer Science and Engineering, Electronics Technology, University Business School	I.T., ECE and MBA	2010-11	715	622	87
	Do	2011-12	722	569	79
	Do	2012-13	825	452	55
	Do	2013-14	876	350	40
	Do	2014-15	959	469	49

Source: Records maintained by the University

In the exit conference, the department stated that the placement of students depended on economic and business conditions prevalent in the market. However, the University should make appropriate/sincere efforts for improving placement of students.

2.2.10 Other Irregularities

2.2.10.1 Non-transfer of Land and infrastructure of the colleges in the name of University

Government of Punjab, Department of Higher Education (Education Cell), intimated (February 2011) GNDU that existing Government College, Sathiala would be run by GNDU and granted approval to open University's Regional Center (RC) at this college. As per terms and conditions, the basic infrastructure and adjoining land of the college was to be transferred to GNDU. Similarly, according to the MoU signed (July 2007) by ASSM Trust and GNDU, ownership, management and administration of ASSM College, Mukandpur, which was directly run by GNDU, along with all its assets and liabilities (if any) was to be taken over by GNDU.

Scrutiny of records showed that infrastructure and adjoining land of RC, Sathiala (29 acre) and ASSM college (23.50 acre) had not been transferred in the name of GNDU (December 2015). All the expenditure of RC, Sathiala and ASSM college, Mukandpur was being borne by GNDU since July 2011 and July 2007 respectively.

In the exit conference the department stated that efforts would be made to get the land transferred in the name of the University.

2.2.10.2 Irregular expenditure on unsanctioned estimates

As per instructions contained in Para 2.89 of Punjab PWD Code, no work should be taken up and expenditure incurred on any work unless and until a detailed estimate of the work is prepared and technically sanctioned by the competent authority before the commencement of work.

Scrutiny of record of the Engineering Department showed that an expenditure of ₹ 77.82 crore (***Appendix 2.1***) was incurred on the execution of 20 works during the period from 2010-15 but no technical sanction was obtained from the competent authority before the commencement of works, which was against the codal provisions and resulted into irregular expenditure of ₹ 77.82 crore.

In the exit conference the department stated that the technical sanctions for the estimates would be obtained at initial stage by the University in future.

2.2.11 Internal control mechanism

2.2.11.1 Non- conducting of Internal Audit

An audit wing headed by Deputy Controller, Local Fund Accounts has been established by the Local Government, Punjab in the University and the work of pre-audit of all the bills and post-audit of accounts is entrusted to the Internal Audit wing.

Scrutiny of records showed that various records[77] maintained by GNDU and its RCs/Constituent Colleges were not audited as of March 2015 for the period detailed in ***Appendix 2.2*** by Audit Wing. As such the possibility of irregularities in this vital record could not be ruled out.

[77] Cash books, stock registers, dispatch registers, log books, Expenditure vouchers of constituent colleges, Demand and Collection Register etc.

In the exit conference the department stated that due to shortage of staff in Internal Audit Wing, a lot of old record had not been audited by the Internal Audit Wing. However, efforts were being made for the clearance of arrears.

2.2.11.2*(i) Poor monitoring of affiliated colleges*

Scrutiny of records of affiliation branch showed that major discrepancies such as shortage of staff, furniture for students, library books, etc. pointed out by the inspection team of GNDU in 2013 had not been rectified by 25 affiliated colleges so far (June 2015). However, no action was taken by GNDU against these colleges.

In the exit conference the department stated that the discrepancies had been conveyed to the concerned colleges. Reply of the department was not tenable as the University has to make sincere efforts to get them removed for smooth functioning of the colleges.

(ii) Inspections of Regional Campus and Constituent Colleges

Audit observed from the records of GNDU that neither was any inspection committee appointed for inspection of GNDU's Regional Campuses and colleges/constituent colleges nor was any inspection carried out during 2010-15. Non-conducting of periodical inspection is fraught with the risk of discrepancies/irregularities remaining unnoticed. The University may consider to appoint an Inspection committee to examine the financial needs of the RCs/colleges, standards of teaching, infrastructure etc.

In the exit conference the department stated that the Regional campuses (RC) were regularly monitored by the Deans of concerned RCs. Reply of the department was not tenable as Deans are only head of the institutions whereas RCs and constituent colleges should be inspected regularly by the GNDU to monitor all the activities.

2.2.11.3 Outstanding paragraphs appearing in Inspection report of Local Fund Accounts

Scrutiny of Audit and Inspection Report of Local Fund Accounts, Government of Punjab, Finance Department for the year 2013-14 showed that a large number of audit objections as detailed in **Table 2.2.9** were lying unsettled since long.

Table 2.2.9: Statement showing outstanding paragraphs of Local Fund Accounts

Period of pendency	Number of outstanding paragraphs	Minor objections
More than 15 years (1972-73 to 1998-99)	343	664
More than 10 years (1999-2000 to 2003-04)	100	-
More than 5 years (2005-06 to 2008-09)	039	-
Less than 5 years (2009-10 to 2013-14)	140	-
Total	**622**	**664**

Source: Records maintained by the University

The University stated (October 2015) that vigorous efforts were being made to settle the outstanding paragraphs appearing in the inspection report of Local Audit.

Conclusions

The budget estimates prepared by the University were not realistic. Non-preparation of balance sheet, non-adjustment of temporary advances for a long period, grant of Secretariat pay and higher rate of interest on GPF/CPF to the employees of university, running of unspecified courses and large number of vacant seats in various courses were noticed. Large number of vacancies in teaching and non-teaching categories existed and there was a decreasing trend in campus placement of students. Various records of the University and its regional campuses and constituent colleges were not audited since long. Internal control mechanism was weak.

Recommendations

The University may like to ensure:

(i) preparation of realistic Budget Estimates;

(ii) timely adjustment of outstanding temporary advances;

(iii) implementation of instructions of the Finance Department and Ministry of Human Resource Development regarding payment of Secretariat pay and interest on GPF/CPF to its employees.

(iv) running of specified courses only;

(v) appropriate steps to fill up all vacant posts of teaching and non-teaching staff; and

(vi) periodic assessment of different courses on the basis of past experience to increase/decrease the intake capacity;

The matter was referred to Government in July 2015; reply was awaited (January 2016).

HEALTH AND FAMILY WELFARE DEPARTMENT

2.3 Implementation of Drugs and Cosmetics Act, 1940

The Drugs and Cosmetics Act, 1940 (Act) is an important social legislation and is a very effective tool for safeguarding the consumers' interest. Provisions of the Act regulate the import, manufacture and sale or distribution of drugs and cosmetics.

Some of the significant findings of the performance audit are given below:

- ***Licences of 282 manufacturing/selling units were renewed after a delay ranging between 5 and 182 months after the expiry of licences.***

  (Paragraph 2.3.7.3)

- ***Shortfall in number of inspections ranged between 20 and 79 per cent during 2010-15 in the selected districts when compared to the norms under the Act.***

  (Paragraph 2.3.8.1)

- ***Samples were drawn at 23 per cent over and above the targets fixed by the Department in the selected districts. No samples were drawn from Homoeopathy units of the selected districts.***

  (Paragraph 2.3.8.2(i))

- ***The Department took final action (cancelled/suspended licences and launched prosecution orders) only after a delay of 85-146 months.***

  (Paragraph 2.3.8.4)

- ***Out of 18146 samples tested at two State drugs testing laboratories during 2010-15, test reports of 12971 samples were delivered between 30 days and one year and reports of 115 samples were delivered after one year.***

  (Paragraph 2.3.9.1)

- ***Against the requirement of 120 Drug Inspectors as per Institutional Development Plan (October 2012), only 52 Drug Inspectors were in position as of March 2015. No centralized database/master control registers were maintained at headquarters level for proper monitoring.***

  (Paragraphs 2.3.10.1 and 2.3.11.3)

2.3.1 Introduction

Government of India, Ministry of Health and Family Welfare (GOI) notified (April 1940) the Drugs and Cosmetics Act, 1940 which extended to the whole of India. The Act along with the other associated Acts[78] and the Drugs and Cosmetic Rules, 1945 made under the Act, regulate import, manufacture, distribution and sale of drugs and cosmetics[79]. Adulteration of drugs and production of spurious and substandard drugs causing serious threat to the health of the community are also sought to be prevented by application of the provisions of the Act. It is applicable on Allopathic, Homeopathic, Unani and Siddha drugs, etc. There were 362[80] manufacturing units and 18285[81] selling units as of April 2010 and 500[82] manufacturing and 20537[83] selling units as of March 2015 in the State of Punjab.

2.3.2 Organizational setup

The Principal Secretary, Department of Health and Family Welfare is the administrative head. State Drugs Control Authority (SDCA), which is the nodal agency in respect of Allopathic and Homeopathy to implement the provisions of the Act in the State, was working earlier under the administrative control of Director, Health and Family Welfare, Punjab. From May 2013 onwards, SDCA has been working under the control of Commissioner, Food and Drugs Administration (FDA). SDCA[84] is assisted by Assistant Drug Controllers (ADC) at headquarters; Zonal Licensing Authorities (ZLA)[85] at district level; and Drugs Inspectors (DIs) at field level. As regards Ayurveda, Director Ayurveda is the licensing authority, who is assisted by a Joint Director at headquarter and District Ayurvedic and Unani Officers (DAUO) working as DIs to enforce the provisions of the Act in the State. There are two Government drugs testing laboratories in the State at Chandigarh (Allopathic) and at Patiala (Ayurveda) to assess the quality of drugs through various tests and analysis.

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[78] (i) Pharmacy Act, 1948; (ii) Drugs and Magic Remedies (Objectionable Advertisements) Act, 1954; (iii) Narcotic Drugs and Psychotropic Substances Act, 1985; (iv) Medicinal and Toilet Preparations (Excise Duties) Act, 1955; (v) Drugs (Price Control) Order, 1995 (under the Essential Commodities Act, 1955); etc.

[79] "Drugs" includes all medicines for internal or external use of human beings or animals and all substances intended to be used for or in the diagnosis, treatment, mitigation or prevention of any disease or disorder in human beings or animals, including preparations applied on human body for the purpose of repelling insects like mosquitoes. Whereas, "Cosmetic" means any article intended to be rubbed, poured, sprinkled or sprayed on, or introduced into, or otherwise applied to, the human body or any part thereof for cleansing, beautifying, promoting attractiveness, or altering the appearance, and includes any article intended for use as a component of cosmetic.

[80] Allopathic: 187 (including 48 cosmetic); Homeopathy: 5; and Ayurveda: 170.

[81] Allopathic: 18054 and Homeopathy: 231.

[82] Allopathic: 256 (including 48 cosmetic); Homeopathy: 7; and Ayurveda: 237.

[83] Allopathic: 20227 and Homeopathy: 310.

[84] There was no sanctioned post of SDCA in the State. The charge of State Drug Controller was given to one of the three senior most ADCs.

[85] There was no sanctioned post of ZLA in the State. The charge of ZLA was given to the senior most Drug Inspector in the district.

2.3.3 Audit Objectives

The objectives of the performance audit were to assess whether:

- planning and resources were adequate;
- the process of issue/renewal of licences to manufacturing/selling units was adequate;
- quality of drugs and medicines imported, manufactured, distributed and sold to public was ensured;
- investigation and follow up action was effective; and
- human resource was adequate and internal control mechanism was in place.

2.3.4 Scope of Audit and methodology

The Performance Audit covering the period 2010-15 was conducted between December 2014 and July 2015 to assess the implementation of the Act in the State. Seven[86] (32 *per cent*) out of 22 districts were selected on the basis of total number of manufacturing and selling units in the districts by adopting 'Probability Proportional to Size with Replacement' method and on Random basis, respectively. The records pertaining to 369[87] (out of 500) manufacturing units and 1051[88] selling units i.e. 10 *per cent* of 10510 (out of 20537) units of the selected districts, being maintained at State/district levels and working of State Drugs Testing Laboratories at Chandigarh and Patiala were test-checked. Besides, joint inspection along with the representatives of the Department was also conducted in 42 manufacturing units. Mention was made in the Comptroller and Auditor General of India's Report (Civil) for the year ended 31 March 2003 (paragraph 3.2) on 'Implementation of Drugs and Cosmetics Act, 1940'. Audit also examined the follow-up action of the Department on the recommendations (March 2009-November 2010) of the Public Accounts Committee (PAC).

An entry conference was held with the Commissioner, Food and Drugs Administration, Punjab on 20 January 2015, wherein audit objectives, scope and methodology were discussed. The audit findings were also discussed with the Commissioner in the exit conference held on 17 November 2015 and replies of the Department have suitably been incorporated in the report.

2.3.5 Audit criteria

The audit findings were benchmarked against the criteria derived from the following sources:

- Drugs and Cosmetics Act, 1940 and Drugs and Cosmetics Rules, 1945 and amendments thereto; and

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[86] (i) Amritsar; (ii) Gurdaspur; (iii) Jalandhar; (iv) Kapurthala; (v) Ludhiana; (vi) SAS Nagar; and (vii) Sangrur.

[87] Allopathic: 160; Cosmetics: 43; Homeopathic: 5; and Ayurvedic: 161.

[88] Allopathic: 1033; and Homeopathic: 18.

- Orders/instructions issued by the Centre/State Government from time to time.

Audit findings

2.3.6 Planning and financial position

Audit noticed that:

- In order to strengthen Drug Regulatory and Testing Mechanism[89] of Punjab, an Institutional Development Plan (October 2012) prepared under 12th Five Year Plan (2012-17) in respect of Allopathic and Homeopathy sectors was under approval of Government of India (November 2015). However, no such plan had been prepared in respect of Ayurveda sector. Inconsistencies in the present mechanism adversely affected the implementation of the provisions of the Act, as discussed in the succeeding paragraphs.

- No separate budget was provided to the Food and Drugs Administration and to the Director Ayurveda, Punjab during 2010-15 for effective implementation of the Act. The expenditure on account of salary and other expenses at headquarter and district level was being met from the heads of account of Director, Health and Family Welfare and the Ayurveda Department, Punjab, respectively. Non-provision of dedicated funds also hampered the activities under the Act, as discussed in paragraph 2.3.10.2.

During the exit conference, the Commissioner while admitting the facts stated (November 2015) that sufficient funds had been provided with the support of Centre and State Governments for construction of administrative offices and new drugs testing laboratory.

Implementation of the Act

2.3.7 Licensing

Section 18 of the Act provides that no person shall himself or by any other person on his behalf manufacture for sale or for distribution or sell or stock or exhibit or offer for sale or distribute any drug or cosmetic except under, and in accordance with the conditions of, a licence issued for such purpose under the Act. Rules 63 and 72 of the Drugs and Cosmetics Rules, 1945 (Rules) provide (in respect of allopathic and cosmetics units) that an original licence or a renewed licence to sell drugs and manufacture drugs, unless sooner suspended or cancelled, shall be valid for a period of five years on and from the date on which it is granted or renewed. The licence shall be deemed to have expired if application for its renewal is not submitted within six months after its expiry. Further, Rule 156 (in respect of Ayurveda units) provides that if application for renewal of a licence is made before its expiry or within one

[89] Inadequate manpower, drug control infrastructure, testing facilities, IT services; non-uniformity in enforcement of law and regulation; lack of training to drug control officials & laboratory personnel; lack of data bank and post marketing surveillance; and pharmacovigilance.

month of its expiry, or if the application is made within three months of its expiry after payment of the additional fee, the licence shall continue to be enforced until orders are passed on the application.

During test-check of records, shortcomings noticed in the process of licensing have been discussed as under:

2.3.7.1 Time frame for renewal of licences

There was no time frame prescribed in the Act/Rules for renewal of licences by the Department. While discussing paragraphs 3.2.6, 3.2.9 and 3.2.10 of the Comptroller and Auditor General of India's Report (Civil) for the year ended 31 March 2003, the State Government had apprised (November 2010) the PAC that it had issued directions to the Department to fix a timeline for renewal of licences within three months. However, a timeline for grant/renewal of licences within 30-90 working days from receipt of applications was notified only in March 2015.

The Commissioner stated (November 2015) that a web-based application had also been initiated to automatically grant and renewal of licences, to be implemented with effect from 15 December 2015 in the State of Punjab which would enable disposal of work within stipulated time.

2.3.7.2 Non-renewal of licences

Examination of records of SDC and Director Ayurveda, Punjab, Chandigarh in respect of selected units showed that:

- Ten manufacturing units (Allopathic: one, Cosmetics: three; and Ayurveda: six) in the selected districts had applied for renewal of licences in time between 28 September 2006 and 20 December 2013 and one manufacturing unit (Ayurveda), whose licence expired on 5 October 2013, did not apply for renewal of licence. The SDC/Director neither renewed the licences even after the period ranging between 16 and 102 months from the expiry of the licences nor did it take any action in respect of the firm who did not apply for renewal of licence.

- As regards selling units of Allopathic and Homeopathy in the selected districts, applications for renewal of licences remained pending between seven and 75 *per cent* during 2010-15, as detailed in **Table 2.3.1.**

Table 2.3.1: Details of applications for renewal of licences pending during 2010-15

Year	*Opening Balance*	*Number of applications received*	*Total*	*Number of licences renewed*	*Closing Balance (percentage)*
2010-11	499	548	1047	376	671 (64)
2011-12	671	2319	2990	743	2247 (75)
2012-13	2247	2617	4864	2140	2724 (56)
2013-14	2724	1130	3854	3068	786 (20)
2014-15	786	923	1709	1587	122 (07)

Source: Departmental data

Audit noticed that though the pendency of renewal of licences increased from 64 (2010-11) to 75 *per cent* (2011-12), it improved to seven *per cent* (2014-15) due to improvement in staff position, as discussed in paragraph 2.3.10.1.

The Commissioner stated (November 2015) that all the applications in respect of manufacturing units except for two units (each of Allopathic and Ayurveda) had been disposed of. As regards selling units, the Department while admitting the facts stated that as of September 2015, 364 applications for renewal of licences were pending and the position would be better with the implementation of web-based application in December 2015.

2.3.7.3 Delay in renewal of licences

Examination of records of SDC and Director Ayurveda, Punjab, Chandigarh showed that 282 units (manufacturing: 48 and selling: 234)[90] of the selected districts had applied for renewal of licences in time between 20 December 2000 and 22 May 2014. However, the respective licensing authorities conducted inspection and renewed the licences with delays ranging between 5 and 182 months after the expiry of these licences. Thus, non/delayed renewal of licences facilitated the applicants (firms/dealers) to continue their activities even if some of the conditions for renewal of licences as per the Act might not have been fulfilled.

During the exit conference, the Commissioner stated (November 2015) that delay in renewal of licences would not happen in future as a web-based application for the purpose had been developed.

2.3.8. Monitoring of quality of drugs

2.3.8.1 Shortfall in inspection of units

Rules 51 and 52 of Drugs and Cosmetics Rules, 1945 (Rules) provide that DIs should inspect the manufacturing and selling units of Allopathic and Homeopathy once in a year to ensure compliance with the conditions of licence and provisions of Act and Rules; and also to take samples of drugs for quality test. Further, Rule 162 (i) provides that DIs should inspect the manufacturing units of Ayurveda twice a year. While discussing paragraph 3.2.17 of the Comptroller and Auditor General of India's Report (Civil) for the year ended 31 March 2003, the Department apprised (November 2010) PAC that after recruitment of more DIs, the position of inspections would improve.

Examination of records of SDC and the selected districts showed that the Department had fixed a target of 30 inspections (December 2011), subsequently revised to 20 inspections (April 2014) per month for each DI in respect of selling units of Allopathic and Homeopathy under his jurisdiction, which was up to 39 *per cent* (2011-15) less than those required under the Rules. It was decided to conduct inspections of manufacturing units as per the

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[90] Manufacturing units (Allopathic: 19, Cosmetic: 2 and Ayurveda: 27); and Selling units (Allopathic: 225 and Homeopathy: 9).

Rules *ibid*. The information supplied by the respective ZLAs showed that the targets of 5100-7470 inspections of selling units (Allopathic and Homeopathy) fixed by the Department in the selected districts were more or less achieved, as it conducted 5078-7709 inspections during 2012-15. However, the shortfall in achievement of targets in respect of manufacturing and selling units as per the Rules ranged between 20 and 79 *per cent* during 2010-15, as detailed in **Table 2.3.2**, despite recruitment of additional 28-37 DIs during 2011-15.

Table 2.3.2: Details showing shortfall in inspections during 2010-15

Year	*Inspections required*			*Inspections conducted*			*Shortfall as per Act (percentage in bracket)*		
	Manufacturing units		*Selling units*	*Manufacturing units*		*Selling units*	*Manufacturing units*		*Selling units*
	Allop-athic[*]	*Ayur-vedic*	*Allop-athic*[1]	*Allop-athic*[1]	*Ayur-vedic*	*Allop-athic*[1]	*Allop-athic*[1]	*Ayur-vedic*	*Allop-athic*[1]
2010-11	193	320	10506	61	205	2213	132 (68)	115 (36)	8293 (79)
2011-12	201	318	10874	65	183	4094	136 (68)	135 (42)	6780 (62)
2012-13	202	312	9381	109	195	7501	93 (46)	117 (38)	1880 (20)
2013-14	203	314	9857	88	196	7709	115(57)	118 (38)	2148 (22)
2014-15	208	322	10510	144	168	5078	64 (31)	154 (48)	5432 (52)

Source: Departmental data
[*]***includes four and five Homeopathic units in 2010-12 and 2012-15, respectively.***

Further, SDC did not provide any records/registers to verify number of inspections conducted in respect of the manufacturing/selling units for the period under audit.

The Commissioner attributed the reasons for shortfall to multifarious duties of DIs and heavy workload and stated (November 2015) that target specified in the Rules would be achieved with the augmentation of the Department by recruiting more DIs. The reply of the Department was not conclusive as the shortfall in inspection of manufacturing and selling units would result into application of inadequate checks on ensuring the requisite quality of drugs and cosmetics produced and sold in the State.

2.3.8.2 Collection of samples

As per Drugs and Cosmetics Rules, 1945, DI is empowered to take samples of any drugs and cosmetics and to send the same for test and analysis to ensure quality of drugs being manufactured and sold. SDC fixed (December 2011) a target of 5-7 samples per month for each DI in respect of Allopathic and Homeopathy sectors. However, Director Ayurveda did not fix any target for drawal of samples by DAUOs (DIs) in Ayurveda sector.

Audit observed that:

(i) Against the target of 6088 samples in respect of Allopathic/Cosmetics and Homeopathy units, 7500 samples were taken in the selected districts during 2010-15, as detailed in **Table 2.3.3.**

Table 2.3.3: Details of samples of drugs drawn in respect of Allopathic/Cosmetics and Homeopathy units in the selected districts during 2010-15

Year	*Total number of units*			*Target fixed for drawing samples*	*Number of samples drawn from*		
	*Manufacturing**	*Selling*	*Total*		*Manufacturing units*	*Selling units*	*Total*
2010-11	193	10506	10699	960	13	1285	1298
2011-12	201	10874	11075	986	7	1273	1280
2012-13	199	9381	9579	1369	5	1641	1646
2013-14	203	9857	10060	1414	10	1664	1674
2014-15	208	10510	10719	1359	20	1582	1602
Total				**6088**	**55**	**7445**	**7500**

Source: Departmental data

**includes four and five Homeopathic units in 2010-12 and 2012-15, respectively.*

As is evident from the above table, the samples were drawn at 23 *per cent* over and above the targets fixed by the Department in the selected districts during 2010-15. No samples were drawn from Homeopathy units by DIs in the selected districts during 2010-15.

(ii) In Ayurveda sector, though no targets were fixed, samples ranging between 65 and 411 were drawn from 156-161 manufacturing units in the selected districts during 2010-15. However, no sample was drawn by DIs in Kapurthala (2010-11 and 2013-14); Mohali (2010-14); Gurdaspur (2011-13); Ludhiana (2014-15); and Amritsar (2014-15).

The Commissioner stated (November 2015) that the targets for collection of samples were fixed taking into account the capacity to analyze the samples in the State Laboratory. However, with the augmentation of the State Drugs Testing Laboratory, the targets would be increased and samples of homeopathic drugs would also be drawn and tested accordingly.

2.3.8.3 Search and seizure

Section 22(1)(c) of the Act empowers the DIs to search (raid) any person, place, vehicle, vessel or other conveyance, who, he has reasons to believe, has secreted about any drug or cosmetic in respect of which an offence under the Act has been, or is being, committed and seize the stock of such drug or cosmetics.

Audit noticed that out of 1089 raids carried out in the selected districts in Allopathic and Homeopathy sectors, offences were detected in 901 cases during 2010-15. Of these, the Department took action in 825 cases[91] and remaining 76 cases were under investigation as of March 2015. Of these, 51 cases pertained to 2010-14 i.e. were more than one year old. No raids were conducted in Ayurveda sector. The DAUOs attributed (February-May 2015) the reasons for non-conducting of raids in the Ayurveda sector to non-availability of infrastructure.

[91] Launched court cases (91); suspended licences (692); and cancelled licences (42).

The Commissioner stated (November 2015) that action would be taken in pending cases after completion of investigation.

2.3.8.4 Inordinate delay in taking action

Examination of records of SDC, Punjab, Chandigarh and ZLA, SAS Nagar showed the delayed action taken by the Department in respect of the cases detailed in **Table 2.3.4.**

Table 2.3.4: Cases on which delayed action taken by the Department

Sr. No.	*Name of manufacturer/ selling unit*	*Licence No. (Validity)*	*Date of application for renewal of licence*	*Date of inspection*	*Outcome of inspection*	*Action taken by the Department.*	*Delay (in months*)*
1	M/s Dhaliwal Pharmaceuticals, SAS Nagar	1629-B (31.12.99)	04.12.99 24.12.01 19.12.06 20.12.10	01.11.11	Not complying with the conditions of Schedule M of the Act	Suspended manufacturing and testing activities on 26.3.12.	144
2	M/s Aggarwal Surgicals Jalandhar	1644-B (31.12.02)	24.12.02 17.12.07 06.12.12	16.04.14	Unhygienic condition, material not found tested, cleaning, fumigation etc.	Suspended manufacturing activities on 05.06.15 after being pointed out by Audit.	146
3	M/s Instant Remedies Private Limited, Dera Bassi, District Mohali	1734-OSP & 1732-B (23.10. 06)	23.10.06 22.10.11	06.03.14	Not complying with the conditions of Schedule M of the Act	Cancelled licence on 30.06.14	89
4	M/s Star Pharmaceuticals, Dera Bassi, District Mohali	1734-B (30.10.06)	30.11.06	04.07.08	Not complying with the conditions of Schedule M of the Act	No concrete action was taken till December 2013	94
				18.12.13	Unlabeled ampules and vials were seized	DI proposed prosecution in July 2014. The prosecution orders were issued on 05.01.15 after being pointed out by Audit.	
5	M/s Punjab Medical Store, Lalru	10932-NB 10932-B	Not applicable	February 2008	Loose, unlabeled/ misbranded capsules were found	Suspended licence for four weeks on 31.3.2015 after being pointed out by Audit.	85

Source: Departmental records

**** Delay in respect of Sr. No. 1 to 4 has been calculated after excluding three months from the date of application, within which the Department was required to take appropriate action.***

An analysis of above data showed that:

- Though four manufacturers (Sr. Nos. 1-4) had applied for renewal of licence in time (December 1999-December 2012) and inspection in respect of one selling unit (Sr. No. 5) was conducted in February 2008, the Department took the final action (cancelled/suspended licences and launched prosecution orders) only after a delay of 85-146 months. Out of five firms, the Department took action (January-June 2015) against three firms (Sr. Nos. 2, 4 & 5) only after being pointed out by Audit.

- As regards manufacturer at Sr. No. 1, on receipt of adverse report (drugs not of standard quality) from Drugs Testing Laboratory, Chandigarh in September 1999 i.e. prior to submission of application for renewal of licence in December 1999, the Department warned the firm only in September 2006 i.e. after seven years and no samples of drugs were drawn afterwards to check compliance by the firm. After conducting joint inspection along with the representative of the Department during November 2011, the Department suspended the manufacturing and testing activities of the firm in March 2012. During joint inspection (June 2015), the firm was found closed.

- As regards manufacturer at Sr. No. 3, though the adverse reports (drugs not of standard quality) were received from the concerned authorities of Haryana and Rajasthan in February and September 2009 respectively, but no concrete steps were taken by the Department and it cancelled the licence of the firm only on 30.06.2014 i.e. after more than 4-5 years from receipt of adverse reports from other states.

The Commissioner while admitting the audit observations attributed (November 2015) the reasons for delayed actions to inadequate staff, multifarious duties of DIs i.e. DIs/staff engaged in curbing menace of habit forming drugs in the State, launching and pleading Court cases, etc. The Department also apprised that the licence of one firm (M/s. Aggarwal Surgical, Jalandhar) had been renewed. The fact, however, remained that due to delayed actions by the Department, the quality of drugs being manufactured/sold by the firms could not be ensured during the intervening period, thereby exposing the consumers to serious health hazards from the drugs not of standard quality.

2.3.9 Investigation and follow-up action

2.3.9.1 Functioning of drugs testing laboratories

Rule 46 envisaged that after the test or analysis of samples has been completed, the Government Analyst would supply to the Inspector a report of the result of the test or analysis. However, time limit of reporting has not been specified in the Rules.

Examination of records of two drugs testing laboratories[92] in the State showed that:

- Out of 16868 samples available with the laboratory at Chandigarh during 2010-15, 1005 samples remained untested (March 2015). Of 15863 tested samples, 275 samples were found 'Not of Standard Quality' (NSQ). The reports in respect of 11859 samples were delivered between 30 days and one year, which included reports of 207 samples found NSQ during 2010-15. Besides, the reports in respect of five samples were delivered after one year from receipt of samples.

- Out of 2283 samples of Ayurvedic medicines tested during 2010-15 at Government Drugs Testing Laboratory (ASU), Patiala, 297 samples were found NSQ and 40 samples (2014-15) remained untested. The reports in respect of 1112 samples were sent between 30 days and one year and reports of 110 samples were sent after one year from receipt of samples during 2010-15.

In spite of recommendations of PAC (March 2009) in respect of paragraph 3.2.18 of the Comptroller and Auditor General of India's Report (Civil) for the year ended 31 March 2003, to expedite the process of testing of samples, the delay in testing of samples was still persisting. Inordinate delay in testing of samples and reporting thereof consequently would delay the action to be taken by the Department against the defaulters and the manufacturers/traders might have continued to manufacture/sell sub-standard drugs during the intervening period.

The Commissioner attributed the delay in testing of samples to shortage of manpower and assured (November 2015) that with the coming up of new State Drugs Testing Laboratory at Kharar and additional manpower already approved by the State Government, the test reports would be released within a period of 30 days.

2.3.9.2 Follow up action on samples

Out of 275 samples (as discussed in paragraph 2.3.9.1) of Allopathic drugs declared NSQ by the Drugs Testing Laboratory, Chandigarh during 2010-15, 141 samples pertained to the selected districts. Of these, the Department initiated action against 32 cases[93] only; 72 cases belonging to other States were sent to SDC for referring the same to the respective State and 37 cases were awaiting action as of March 2015. Of these, 26 cases pertained to the period 2010-14 i.e. were more than one year old.

The Commissioner while admitting the facts stated (November 2015) that now 26 cases were pending as of November 2015. It was added that a centralized

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[92] (i) State Drugs Testing Laboratory, Chandigarh (Allopathic); and (ii) Government Drugs Testing Laboratory (ASU), Patiala (Ayurveda).

[93] Court cases were initiated (5); licences/products were cancelled/suspended (21) Cases referred to Drugs Testing Laboratory, Kolkata which declared the samples of standard quality (4); FIR lodged (2).

cell had been established (September 2015) to check the inflow of spurious drugs in the market.

2.3.10 Human resource management

2.3.10.1 Staff position

The position of sanctioned strength of staff and men-in-position in the Department during the period 2010-15 is given in **Table 2.3.5.**

Table 2.3.5: Position of sanctioned strength of staff vis-à-vis men-in-position 2010-15

Sector/Cadre	2010-11		2011-12		2012-13		2013-14		2014-15	
	SS	MIP	SS	MIP	SS	MIP	SS	MIP	SS	MIP
Allopathic and Homeopathy										
Assistant Drugs Controller	3	3	3	3	3	3	3	3	3	3
Drug Inspectors	53	15	53	43	53	49	53	49	53	52
Staff of State Drugs Testing Laboratory, Chandigarh	9	7	9	7	9	7	9	7	9	7
Ayurveda										
District Ayurveda and Unani Officers (Drug Inspectors)	22	22	22	22	22	22	22	22	22	22
Staff of Government Drugs Testing Laboratory (ASU), Patiala	6	6	6	5	6	5	6	5	6	5
TOTAL	**93**	**53**	**93**	**80**	**93**	**86**	**93**	**86**	**93**	**89**
Shortage (%)	**43**		**14**		**8**		**8**		**4**	

Source: Departmental data

- Table 2.3.5 showed that the shortage of staff decreased from 43 *per cent* in 2010-11 to 4 *per cent* in 2014-15.

- The Institutional Development Plan (IDP) (October 2012) of the Department included the requirement of 120 DIs against the existing sanctioned strength of 53 DIs, to strengthen the drugs regulatory infrastructure in the State. Further, the Punjab and Haryana High Court had also urged upon (August 2013) the Department to augment number of DIs by sanctioning requisite posts by the end of the year (i.e. March 2014). However, against the requirement of 120 DIs, only 52 DIs (*43 per cent*) were in position in the Department as of March 2015. Thus, inadequacy of 57 *per cent* of DIs adversely affected the working of the Department, as discussed in preceding paragraphs.

The Commissioner stated (November 2015) that new service rules were being framed and a committee had been constituted under the chairmanship of Honorary Advisor to Government of Punjab for Health and Medical Education for recruitment of staff. It was added that additional manpower for State Drugs Testing Laboratory had also been approved by the State Government.

2.3.10.2 Training

In order to upgrade the skills of DIs, the Department should organize various training programmes. Audit, however, noticed that no training programmes were arranged by the Department during 2010-15. The SDC attributed (October 2014) the reasons for this to non-availability of funds.

The Commissioner while admitting the facts with regard to non-preparation of any training calendar stated (November 2015) the training programmes arranged by the Central Drugs Standard Control Organization and World Health Organizations were being attended to from time to time.

2.3.11 Internal control mechanism

2.3.11.1 Establishment of Legal Cell

The PAC, while discussing paragraph 3.2.22 of the Comptroller and Auditor General of India's Report (Civil) for the year ended 31 March 2003, recommended (March 2009) to establish a Legal Cell to present cases before the Court in proper manner. Audit observed that as of March 2015, 219 court cases in respect of selected districts were pending. Out of 105 cases decided during 2010-15, 79 cases resulted in conviction and 26 cases in acquittal. However, the Department did not establish any such Legal Cell (November 2015), as recommended by the PAC, to process and attend to the court cases in an orderly manner.

The Commissioner stated (November 2015) that the matter was under process with the Government for establishment of Legal Cell.

2.3.11.2 Complaints remaining unattended

Information received from the respective ZLAs showed that during 2010-2015, the Department had received 182 complaints regarding selling of unlicensed drugs. Of these, action in 154 cases[94] had been taken and 28 complaints were pending as of March 2015. Out of these, 11 complaints pertained to the period 2012-14 i.e. were more than one year old.

The Commissioner while admitting the facts stated (November 2015) that now 11 complaints pertaining to unlicensed godowns/shops were pending as of November 2015 and appropriate action would be taken against those complaints shortly.

2.3.11.3 Non-maintenance of centralized data

With a view to have effective monitoring, centralized data or a master control register indicating number of operational manufacturing and selling units in the State, number of units which had been inspected, number of units where inspections were due, etc. should be maintained. However, no such centralized data/master control register was being maintained by the Department at headquarter level.

The Commissioner stated (November 2015) that with the implementation of web-based application, the requisite data would be readily available with the

[94] Licences were cancelled/suspended (95); court cases were launched (58); Complaint filed (1).

Department. The fact remains that due to non-maintenance of centralized data/master control registers, the SDC/Director Ayurveda remained dependent upon the field offices and the information/reports furnished by ZLAs/DIs could not be verified, thus, preventing the Department to apply necessary checks at headquarter level for effective implementation of the provisions of the Act.

2.3.11.4 Non-maintenance of inspection book

Rule 74(k) provides that the licensee shall maintain an Inspection Book in Form 35 to enable an Inspector to record his impressions and defects noticed. However, during joint inspection (January-April 2015) along with the representatives of the Department, in respect of 42 manufacturing units of selected districts, it was noticed that 25 (Allopathic) did not maintain the inspection book. As a result, reliability of inspections carried out by DIs could not be ascertained in audit.

The Commissioner stated (November 2015) that the instructions had been issued to SDC to ensure maintenance of inspection books by all the manufacturing and selling units.

Conclusions

Enforcement of the Drugs and Cosmetic Act was deficient in many major areas. Renewal of licences of manufacturing/selling units was delayed in a number of cases; and inspections conducted by the Drug Inspectors were negligible in comparison to the requirement under the Act. There was a delay in sending test reports by the State drugs laboratories as well as follow-up action on the samples. The manpower available in the Department was inadequate to carry out various activities effectively under the Act and no training was imparted in the State to upgrade skills of existing staff. No centralized database was maintained at headquarter level for proper monitoring.

Recommendations

The State Government may consider:

(i) introducing improvement in system of licensing, inspection and sampling;

(ii) provision for testing of homoeopathy drugs and speedy follow up action on the samples collected;

(iii) adequate manpower in the Department and provision of training in the State to upgrade skills of staff for effective implementation of the Act; and

(iv) maintenance of centralized database/master control registers at headquarter level for proper monitoring.

The matter was referred to Government in July 2015; reply was awaited (January 2016).

SCHOOL EDUACATION DEPARTMENT

2.4 Mid Day Meal Scheme

Government of India launched the Mid Day Meal Scheme (MDMS) in August 1995 as a centrally sponsored scheme to boost the universalisation of primary education by increasing enrolment, retention and attendance and simultaneously improving nutritional level among children in primary and upper primary classes. The Government of Punjab (GOP), started providing cooked mid-day meal (MDM) with effect from September 2004.

Some of the significant findings of the Performance Audit are given below:

- ***Due to non-implementation of MDMS, MDM was not served to 50417 children in 32 Government aided schools of Amritsar and Ludhiana districts.***

(Paragraph 2.4.6.1 (ii))

- ***Cooking cost was short released by ₹ 76.54 crore resulting into non-serving of MDM between 4 and 245 days in 40 schools. Short allocation of food grains by 10.44 per cent and thereafter its short lifting by 5.11 to 18.23 per cent led to non-serving of MDM between 4 and 149 days in 49 schools.***

(Paragraphs 2.4.7.2 and 2.4.9.4)

- ***Out of funds of ₹ 15.55 crore provided under Management, Monitoring and Evaluation, ₹ 7.77 crore were not allocated to schools. Funds were also utilized for the components not covered under MDMS.***

(Paragraph 2.4.7.5(i &ii))

- ***Decreasing trend of enrolment in primary and upper primary classes was noticed as against the decreasing trend of 6 per cent in 1994-99 it increased to 19.14 per cent in 119 out of 180 schools during 2010-15.***

(Paragraph 2.4.8.1)

- ***Fair Average Quality of food grains was not ensured by a team consisting of a Food Corporation of India's representative and a nominee of the collector. Calorific value in MDM was not ensured as per the norms fixed by the Government of India.***

(Paragraphs 2.4.9.1 and 2.4.9.3)

- ***Inspection reports were not prepared and discussed in Steering-cum-Monitoring Committee meetings for taking remedial measures. Computerized Management Information System was not established at Block level.***

(Paragraphs 2.4.10.1 and 2.4.10.2)

2.4.1 Introduction

The National Programme of Nutritional Support to Primary Education (Commonly known as the Mid Day Meal Scheme) was launched as a Centrally Sponsored Scheme. The MDMS intended to boost the universalisation of primary education by increasing enrolment, retention and attendance and simultaneously improving nutritional level among children country wide in a phased manner by 1997-98. The MDMS initially focused on children at the primary stage (class I to V) in Government, Local Body and Government aided schools. It was extended (October 2002) to cover children studying in centres run under the Education Guarantee Scheme (EGS) and Alternative and Innovative Education (AIE). In July 2006, the Ministry of Human Resource Development (MHRD) revised the food norms by increasing the calories to a minimum of 450 grams from 300 grams and proteins to 12 grams from 8-12 grams to every child of primary classes availing MDM. Further, calorific value in MDM for the children of upper primary classes was fixed at 700 calories and 20 grams protein (September 2007). The scheme was extended to children studying in recognized *Madrasas/Maqtabs* from April 2008 and to upper primary stage (Classes VI to VIII) from 2008-09.

2.4.2 Organizational set up

In the State, MDMS is implemented under the overall supervision of the Chief Secretary, Punjab. The Department of School Education headed by the Principal Secretary has been declared as Nodal Agency for the implementation of the scheme, which is looked after by the Director General of School Education (DGSE) at the State level through a separate MDM Society. The scheme was implemented at district, block and school levels through District Education Officers (Elementary Education) (DEO (EE)), Block Primary Education Officers (BPEO) and teachers respectively. The scheme is monitored by the Steering-cum-Monitoring Committees (SMC) at State, District and Block level headed by Chief Secretary, Deputy Commissioner and Sub-Divisional Magistrate respectively. As of March 2015 there were 22 districts, 217 education blocks and 20354[95] (primary and upper primary) schools covered under MDMS in the state.

2.4.3 Audit objectives

Performance audit of the scheme was carried out to verify whether:

- the scheme was implemented in a planned manner so as to cover all the eligible primary and upper primary school level children;
- the funds allocated were utilized in an economic and efficient manner;
- the scheme achieved its objective of enhancing enrolment, retention, attendance and improving the nutritional status of children in the primary/upper primary classes; and
- adequate internal control mechanism was in place.

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[95] 19519 Government/local body schools (13209 Primary, 6284 Upper Primary and 26 Upper Primary with Primary), 728 Government Aided schools (326 Primary, 142 Upper Primary and 260 Upper Primary with Primary), 107 Special Training Centers.

2.4.4 Scope of Audit and Methodology

Implementation of MDMS for the period 2010-15 was reviewed during September 2014 to August 2015 through test check of records of Principal Secretary, School Education Department, DGSE and six[96] (out of 22) selected districts. Records of 24 (four in each selected district) out of 98 blocks of selected districts and 180 (Primary: 118, Upper Primary: 62) out of 2181 schools of selected blocks were test-checked. Sample size of districts, blocks and schools was selected on 'Probability Proportionate to Size without Replacement (PPSWOR)' and 'Stratified Random Sampling without Replacement (SRSWOR)' methods. The audit objectives and criteria were discussed with the Principal Secretary to GOP, Department of School Education in the Entry Conference held in March 2015. Mention was made in the Comptroller and Auditor General of India's Report (Civil) for the year ended 31 March 2000 (paragraph 3.1) on Nutritional Support to Primary Education. The report was discussed in Public Accounts Committee (PAC) in December 2001 and July 2011. The recommendations of the PAC were kept in view while finalizing the performance audit report.

An exit conference with the Secretary to Government of Punjab, School Education Department was held in December 2015 in which the audit findings were discussed. The replies to the audit observations were kept in view while finalizing this report.

2.4.5 Audit Criteria

The audit findings were bench marked against the criteria derived from the following sources:

- Guidelines of the scheme 'National Programme of Nutritional Support to Primary Education 2006, Orders, Notifications, Circulars, Instructions, Proceedings of meetings, etc. issued by GOI/GOP from time to time, compliance to schedules and tender clauses, monitoring committee reports, Evaluation Reports, etc.;
- Food Safety and Standards Act, 2006; and
- National Rural Drinking Water Programme Guidelines, 2010.

Audit findings

Audit findings are discussed in the succeeding paragraphs:

2.4.6 Planning

2.4.6.1 Improper/deficient planning

Para 5.1, 1.8, 3.10 and 2.5 of MDMS guidelines, 2006 and GOI instructions (April 2008 and July 2013) envisage a bottom-up approach to planning with documentation of the process of plan preparation to ensure that it had been

[96] (i) Amritsar; (ii) Ferozepur; (iii) Hoshiarpur; (iv) Ludhiana; (v) Patiala; and (vi) Sangrur.

prepared at the school level through participative planning process, all the children studying in Government aided schools have been covered under MDMS, the entitlements and other benefits of the scheme have been publicized through various modes of publicity and some assistance towards infrastructural elements viz. kitchen cum stores (KCSs) and kitchen devices, etc. have been drawn from other developmental programmes by implementing the MDMS in close convergence with these, to ensure that all requirements of the programme are fully met with in the shortest possible time-frame.

Audit observed the following deficiencies:

(i) non-adopting of the bottom up approach in preparation of Annual Work Plan and Budget resulted in short/non-receipt of cooking cost and foodgrains in 154 (86 *per cent*) and 157 (87 *per cent*) schools respectively as discussed in Paragraphs 2.4.7.2 & 2.4.9.4;

(ii) due to non-implementation of MDMS in 32 government aided schools of Amritsar and Ludhiana districts, 50417 students were deprived of the benefits of the scheme;

(iii) no plan was prepared by the department for creating awareness about the scheme among parents; and

(iv) Department didn't interact effectively with other departments implementing various developmental programmes which resulted in non-completion of 198 KCSs (as discussed in Paragraph 2.4.9.5), non-visit of doctors, non-providing of height recorders and weighing machines in 15, 16 and 35 test checked schools respectively as discussed in Paragraph 2.4.9.8.

In the exit conference (December 2015) the Department stated that AWP&B was prepared by obtaining data through District Information System for Education (DISE), MDMS stood implemented in 21 out of said 32 Government aided schools and efforts were being made to implement the same in the remaining schools also. Publicity about the scheme was given during SMC trainings and there was scarcity of funds under the Management, Monitoring and Evaluation (MME) component and convergence with all the concerned departments had regularly been made though there were some shortcomings.

2.4.7 Financial management

As per MDMS guidelines, after approval of AWP&B of States by Programme Approval Board, the Ministry releases first instalment of central assistance in April/May each year subject to unspent balances available with the State Government/UT Administration not exceeding 20 *per cent* of the previous year's releases. The Ministry releases second instalment in September/October based on progress of expenditure incurred out of the first instalment. The ratio of funding between GOI and GOP in respect of Cooking cost, Honorarium to cook cum helpers was 75:25. Food grain was to be provided by GOI free of cost and transport cost was also to be reimbursed by GOI.

2.4.7.1 Allocation of funds and expenditure

The position of funds in respect of Central Share and State Share allocated, funds released and expenditure incurred thereagainst during 2010-15 is given in **Table 2.4.1**.

Table 2.4.1: Funding position of MDM scheme during 2010-15

(₹ in crore)

Year	Opening balance			Funds allocated			Funds released			Expenditure			Closing Balance		
	CS	SS	Total	CS	SS	Total	CS	SS	Total	CS	SS	Total	CS	SS	Total
2010-11	8.72	2.81	11.53	165.32	44.95	210.27	165.69	45.18	210.87	162.25	44.00	206.25	12.16	3.99	16.15
2011-12	12.16	3.99	16.15	187.87	50.82	238.69	175.61	46.83	222.44	163.57	46.71	210.28	24.20	4.11	28.31
2012-13	24.20	4.11	28.31	220.66	71.65	292.31	167.35	47.78	215.13	170.08	50.70	220.78	21.47	1.19	22.66
2013-14	21.47	1.19	22.66	240.43	76.45	316.88	205.04	56.34	261.38	184.41	58.25	242.66	42.10	- 0.72	41.38
2014-15	42.10	- 0.72	41.38	207.05	67.56	274.61	165.81	54.57	220.38	190.85	59.65	250.50	17.06	- 5.80	11.26
Total				**1021.33**	**311.43**	**1332.76**	**879.50**	**250.70**	**1130.20**	**871.16**	**259.31**	**1130.47**			

Source: Departmental figures ***CS :Central Share and SS: State Share***

As shown in the table, against the total allocation (both Central and State Share) of ₹1332.76 crore[97], only ₹ 1130.20 crore[98] were released during 2010-15. Thus, there was short release of ₹ 202.56 crore[99]. The percentage of short release of funds by GOI ranged between 7 and 24 *per cent* and that of GOP ranged between 8 and 33 *per cent* during 2010-15. Further GOP released ₹ 250.70 crore against required share of ₹ 293.17 crore with reference to the funds released by GOI resulting in short release by ₹ 42.47 crore.

During 2013-14 and 2014-15, excess expenditure of ₹ 0.72 crore and ₹ 5.80 crore State Share respectively, was incurred by irregular diversion of funds from LPG subsidy, Central Share, interest, sale proceeds of *bardana* and kitchen shed grants . Audit further noticed that cases of non-construction of kitchen-cum-stores and non-providing of storage bins in schools were noticed as depicted in paragraph 2.4.9.5 and 2.4.9.8. The GOP also released central assistance with a delay ranging between one month and 15 months.

The Department stated (December 2015) that the released funds were utilized. The reply was not acceptable as due to short release of funds by GOP, the GOI released the funds after adjusting the unutilized funds for the previous years.

2.4.7.2 Short release of cooking cost

Para 2.6 of guidelines envisages that State Government was responsible for providing nutritious cooked MDM to every child studying in the schools covered under MDMS by ensuring adequate and timely budgetary provisions for all components of the programme.

Audit observed that against the allocation of ₹ 810.82 crore[100] for cooking cost, funds of ₹ 734.28 crore[101] were released during 2010-15 (short by ₹ 76.54 crore[102]). It was further noticed that MDM in 40 out of 180 test

97 CS ₹1021.33 crore and SS ₹311.43 crore.
98 CS ₹879.50 crore and SS ₹250.70 crore.
99 CS ₹141.83 crore and SS ₹60.73 crore.
100 CS ₹608.42 crore and SS ₹202.40 crore.
101 CS ₹546.16 crore and SS ₹188.12 crore.
102 CS ₹62.26 crore and SS ₹14.28 crore.

checked schools was not served for the days ranging between 4 and 245 due to non-availability of cooking cost.

The Department while admitting the fact stated (December 2015) that the cooking cost for a particular year was calculated on the basis of the number of children actually served MDM during the preceding year**.** As regards audit findings on non-serving of MDM in 40 test checked schools, the Department agreed to look into the matter.

2.4.7.3 Inflated demand of CS and irregular expenditure due to short release of SS

The MHRD issued instructions (November 2009) that Cook-cum-Helpers (CCHs) were to be paid honorarium at the rate of ₹ 1000 per month with effect from December 2009 and the expenditure was to be shared between the Centre and State on 75:25 basis.

Audit observed that against the allocation of ₹ 277 crore, ₹ 212.67 crore were released during 2010-15 with short release of ₹ 64.33 crore and against the released funds, ₹ 216.64 crore were utilized as depicted in **Table 2.4.2.**

Table 2.4.2: Funds allocated, released and expenditure on honorarium to CCHs

(₹ *in crore*)

Year	Funds allocated			Funds released			Expenditure		
	CS	SS	Total	CS	SS	Total	CS	SS	Total
2010-11	37.12	12.37	49.49	37.27	12.42	49.69	28.15	9.42	37.57
2011-12	37.12	12.37	49.49	28.00	9.37	37.37	25.84	11.38	37.22
2012-13	37.09	22.25	59.34	25.84	11.38	37.22	29.04	15.25	44.29
2013-14	37.09	22.25	59.34	29.01	18.70	47.71	29.98	17.99	47.97
2014-15	37.09	22.25	59.34	29.98	10.70	40.68	30.99	18.60	49.59
Total	**185.51**	**91.49**	**277.00**	**150.10**	**62.57**	**212.67**	**144.00**	**72.64**	**216.64**

Source: Departmental figures *CS: Central Share and SS: State Share*

As is evident from above table central share of ₹ 6.10 crore (₹ 150.10 crore – 144.00 crore) released during 2010-15 remained unutilized due to raising of an inflated demand to the GOI for honorarium for 49449 CCHs against actual deployment of 42000 CCHs approximately. Due to short release of SS, an excess expenditure of ₹ 10.07 crore of SS was made and irregularly met from the savings of CS, sale proceeds of bardana and interest earned on MDM funds.

The Department stated (December 2015) that the demand for honorarium to CCHs was computed on the basis of number of children enrolled rather than actual deployment. Further backlog of funds on this account for the previous years had been cleared during 2015-16.

2.4.7.4 Irregular diversion of funds

Government of India released (July 2013) non-recurring grant of ₹ 5.16 crore to GOP which was further released (November 2013) to the department for replacement of kitchen devices at the rate of ₹ 5000 per school in

10317 schools where kitchen devices were provided during 2006-07 with the instructions to utilize the amount within the same financial year, to maintain separate account of grant and not to divert the same for any other purpose.

However, Audit observed that out of ₹ 5.16 crore, ₹ 2.65 crore and ₹ 0.26 crore were disbursed to the schools during 2013-14 and 2014-15 respectively. The remaining funds of ₹ 2.25 crore were diverted towards cooking cost against the instructions. The Department admitted the facts and stated (December 2015) that its first priority was to provide MDM to the students uninterruptedly. Hence the funds were utilized towards cooking cost. However, the Department assured to take up the matter with GOI for its regularization.

2.4.7.5 Non-release/diversion of MME grant

Para 5.1(8) of guidelines envisages that the money saved as a result of enhanced central assistance is not to be diverted for purposes other than the components of MDMS.

(**i**) Audit observed that against the allocation of ₹ 17.01 crore, ₹ 15.55 crore were released under Management, Monitoring and Evaluation (MME) component during 2010-15. Out of this, instead of releasing ₹ 7.77 crore (50 *per cent* of ₹ 15.55 crore) to the schools, the amount was utilized at the Directorate/District level towards salary, transport and for contingent expenditure, etc. under MME.

(ii) An amount of ₹ 0.41 crore was utilized towards renovation and rent of the headquarters' office (PSEB building) during the year 2012-14 in contravention of guidelines.

The Department stated that this was the only component from which they could spend money on establishment and salary of staff engaged in MDM scheme. The reply was not acceptable as fifty *per cent* of MME funds were to be transferred to the schools and the said should have been met from the fifty *per cent* of MME funds to be retained at Headquarters.

2.4.7.6 Non-accountal of interest

Para 5.1 (9) of the guidelines provides that release of first instalment (CS) would be subject to unspent balances available with the State Government including stock and cash at all levels.

Audit observed that interest of ₹ 6.41 crore was earned on the MDM funds released by GOI and GOP during the period 2010-15. GOP was required to intimate this to GOI so that the same could be considered while releasing central share. However, neither the interest was accounted for in the AWP&B nor GOI was informed about it. The interest was utilized for payment of honorarium to CCHs, etc. The Department admitted the facts and assured (December 2015) to intimate the GOI regarding the interest earned on the funds.

2.4.7.7 Non-submission of Utilization Certificates (UCs)

As per para 5.5 of guidelines, UCs in respect of Central assistance should be submitted to the GOI within three months after the close of financial year.

(i) Audit observed that UCs for the Central Share of ₹ 5.92 crore (KCSs), ₹ 5.16 crore (replacement of kitchen devices) received in 2009-10 and 2013-14 respectively had not been submitted to the GOI so far (January 2016).

(ii) Audit further observed that ₹ 23.52 lakh were transferred (May 2011) to Rashtriya Madyamik Shiksha Abhiyan (RMSA) for construction of kitchen sheds in government model schools but the same were not utilized for the purpose for which these were released. However, at the instance of audit (September 2014) these were refunded by RMSA to MDM society (November 2014) after retaining the funds for a period of more than two years and the same were disbursed (February 2015) to the DEOs for construction of KCSs in schools but the utilization of these funds could not be verified (December 2015) as no documentary evidence was produced to audit.

The Department stated (December 2015) that the latest position would be intimated to audit.

2.4.8 Implementation

The primary objective of the scheme was to enhance enrolment, attendance and retention of children at primary and upper primary level to boost the national objective of universalisation of primary/upper primary education.

2.4.8.1 Decreasing trend in enrolment

Audit observed that although one of the prime objective of the MDMS was to enhance enrolment in schools, despite spending ₹ 1130.47 crore on the scheme during 2010-15 in the state, enrolment decreased to 1971513 (6.62 *per cent*) in 2014-15 from 2111366 in 2010-11 in the primary and upper primary classes. The performance audit of the scheme for the period 1994-99 in the C&AG of India's Report (Civil) of 2000 pointed out that the enrolment remained static during 1994-99. Rather than any improvement thereon, enrolment decreased by 6.62 *per cent* during 2010-15. Similarly the decreasing trend of six *per cent* in enrolment during 1994-99 in the then test checked districts increased to 19.14 *per cent* in 119 (66 *per cent*) out of 180 test checked schools during 2010-15.

The Department admitted the facts and stated (December 2015) that efforts were being made to make the people aware to admit their wards in Government Schools.

2.4.8.2 Retention and attendance of children

The number of students enrolled in Class I-V during the period covered in audit is depicted in the **Table 2.4.3.**

Table 2.4.3: Class-wise enrolment of children

Year	I	II	III	IV	V
2010-11	294887	257245	247440	240364	235340
2011-12	251513	284981	262487	250336	246060
2012-13	233573	244325	279729	260191	253553
2013-14	207142	229967	243558	274760	262895
2014-15	211830	213673	233361	244257	278009

Source: Departmental data

The above table shows that only 278009 out of 294887 children (as depicted in shaded columns) enrolled in Class I (2010-11) could be retained in class V up to 2014-15. Thus, the Department failed to retain 16878 (5.72 *per cent*) students during the period 2010-15**.** Out of 118 test checked primary schools, in 58 schools the retention of students declined by 24.87 *per cent*, it increased in 50 schools by 31.18 *per cent* whereas in 9 schools it remained static. However, in one school, no student was enrolled in class 1 during 2010-11.

The average daily attendance of children remained between 80.83 and 89.62 *per cent* during 2010-15 as depicted in **Table 2.4.4.**

Table 2.4.4: Details of average daily attendance of children

Year	Total students enrolled in classes I to VIII	Average attendance of students/students served MDM	Percentage
2010-11	2111366	1727366	81.81
2011-12	2098582	1880946	89.62
2012-13	2123283	1769171	83.32
2013-14	2000023	1616808	80.83
2014-15	1971513	1654426	83.91

Source: Departmental data

The Department admitted the facts and stated (December 2015) that they were monitoring the scheme in an appropriate way for further improvement.

2.4.9 Nutritional Status

Government of India instructions (February 2015) envisage that the MDM should contain adequate nutrients and be free from food adulterants, contaminating pathogens and additives and adhere to food safety and quality norms to prevent food borne health hazards.

2.4.9.1 Non-ensuring of fair average quality (FAQ) of foodgrains

As per guidelines of MDMS, Food Corporation of India (FCI) was to issue foodgrains which would in any case at least be of FAQ and would also ensure continuous availability of adequate quantity of foodgrains. The district collector was to ensure the same after a joint inspection by a team consisting of an FCI representative and a nominee of the collector.

Audit observed from the records of District Education Officers (Elementary) that only representatives from School Education Department and Punjab State

Civil Supplies Corporation Limited (PUNSUP) were available at the time of lifting of foodgrains from FCI depots.

Further, during joint inspection by Audit and representatives of School Education Department, of centralized kitchen at Amritsar serving cooked MDM to more than 33000 students in 171 schools, and two[103] schools, it was observed that the foodgrains (wheat) were not kept in the stores/KCS and was lying with flour mills. Thus, the FAQ grading of foodgrains served to children could not be ensured.

The Department stated (December 2015) that instructions had been issued to the field offices for taking necessary action.

2.4.9.2 Irregular allotment of contract to NGO

For schools in urban areas having space constraint, the guidelines provide that a Centralized Kitchen could be set up for a cluster of schools and its operation should be entrusted to reputed NGOs under the Public Private Partnership mode.

Audit observed that tenders were called for (June 2011) from interested NGOs for the supply of cooked MDM to students for schools within the municipal limits of Patiala, Ludhiana, Jalandhar, Amritsar, Bhatinda, Mohali, Sangrur and Moga districts. Twenty-five NGOs responded. Tender bids were opened on 17 February 2012 by the Evaluation Committee.

After evaluating the tender documents, the committee recommended (June 2012) three NGOs[104] for supply of cooked MDM. As per the recommendations, Istri Shakti was awarded contracts of Moga, Mohali, and Sangrur while the Jan Chetna was awarded the contract for Ludhiana. However, the contracts for Bathinda, Jalandhar and Patiala districts were awarded (July 2012) to bidders who had not been recommended by the committee, namely Bagdanga Paschim Gheri, Bishalalaksmi Club which had obtained only 28 marks each for these districts as against Istri Shakti which had obtained 96 marks on the plea that by dividing the workload equally, all the NGOs would be able to provide cooked MDM to the children in an appropriate manner. During physical verification of centralized kitchen established by NGO Audit observed that NGO[105] was not providing hot meal to 17136 children in 93 schools of Patiala district as such the very objective of providing hot cooked MDM to the children was forfeited.

The Department admitted the facts and stated (December 2015) that the allotments were made as per orders of the State Government. The reply was not acceptable as awarding the contract to an NGO which secured lower marks was against the principles of competitive bidding and decision of Evaluation Committee.

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[103] (i) GPS Tarkiana (Hoshiarpur); and (ii) GPS Pandori Aryian (Hoshiarpur).

[104] (i) Istri Shakti- Moga, Mohali and Sangrur; (ii) Bagdanga Paschim Gheri Bishalalaksmi Club - Amritsar, Bhatinda, Jalandhar and Patiala; and (iii) Jan Chetna- Ludhiana.

[105] Bagdanga Paschim Gheri, Bishalalaksmi Club.

2.4.9.3 Non-ensuring the calorific value in MDM

As per para 2.2.2 of scheme guidelines 2006 and subsequent instructions issued by GOI (September 2007) for achieving the objective of improving the nutritional status of children, cooked MDM was to be provided with 450 and 700 calories and 12 gm and 20 gm protein contents for primary and upper primary school children respectively. Further GOI revised (November 2009) the food norms with effect from December 2009. The revised norms per child per school day are detailed in **Table 2.4.5.**

Table 2.4.5: Details of calorific value in MDM

Sr. No.	Item	Primary	Upper Primary
1	Foodgrains	100 gms	150 gms
2	Pulses	20 gms	30 gms
3	Vegetables (leafy also)	50 gms	75 gms
4	Oil and fat	5 gms	7.5 gms
5	Salt & Condiments	As per need	As per need

Source: MDM Guidelines

Audit observed that no record/register was maintained at the school/block/district/directorate level to ensure the minimum calorific and protein contents in the cooked meal to be served to the children. Food samples in respect of MDM cooked locally in the school premises were also not got tested at all. Further, the NGOs did not have the food samples tested regularly i.e. once a month which was violative of clause 26 of contract agreement. Moreover, the results of the food samples tested in authorized laboratory[106] between August 2013 and January 2015, showed that NGOs were not providing nutrients to 141523 children as per fixed norms, as detailed in **Table 2.4.6.**

Table 2.4.6: Details of non-providing of nutrients as per fixed norms.

Sr. No.	Name of NGO	Date of sample	Name of food item	Value as per Sample report		Fixed norms		Deficiency	
				Protein (in gms)	Calories	Protein (in gms)	Calories	Protein (in gms)	Calories
1	Bishlakshmi Amrisar	22.1.15	Roti	3.04	137.90				
			Dal	6.18	183.10				
			Total	**9.22**	**321.00**	**20**	**700**	**10.78**	**379**
2	Bishlakshmi Bhatinda	22.1.15	Rice	3.79	127.80				
			Black Channa	8.17	211.10				
			Total	**11.96**	**338.90**	**20**	**700**	**8.04**	**361.10**
3	Bishlakshmi Jalandhar	22.1.15	Roti	3.16	139.03				
			Kari Pakora	4.39	284.90				
			Total	**7.55**	**423.93**	**20**	**700**	**12.45**	**276.07**
4	Bishlakshmi Patiala	22.1.15	Roti	3.13	138.70				
			Mix Vegetable	7.92	183.80				
			Total	**11.05**	**322.50**	**20**	**700**	**8.95**	**377.50**
5	Istri Shakti, Nawan Shahar	22.8.13	Rice	3.84	134.32				
			Kadhi	8.14	209.60				
			Total	**11.98**	**343.92**	**20**	**700**	**8.02**	**356.08**

Source: Departmental data

106 International Testing Centre, Panchkula.

Audit further observed that the Fifth Joint Review Mission report conducted by MHRD in January 2014 had also pointed out the deficiencies of nutrients in MDM cooked locally in the school premises in Fatehgarh Sahib and Ludhiana districts. The recommendations of the mission to ensure the quantity of nutritional norms have not been implemented by the Department.

The Department stated (December 2015) that show cause notices to the concerned NGOs were being issued. The health department was also being requested to take food samples from schools where MDM was cooked locally for ensuring quality and calorific values in the MDM.

2.4.9.4 Short allocation/lifting of food grains

Para 1.4 of guidelines and subsequent instructions (September 2007) provide for supply of 100 and 150 gm of foodgrains per child per school day in respect of primary and upper primary levels respectively. Allocation of food grains by GOI/FCI was to be made as per the AWP&B. Further, Para 3.3(iv) of guidelines provides that States should also ensure that a minimum of one month buffer stock of foodgrains and cooking cost is available in each school. The quantity of food grains to be allocated as per number of children covered by Project Approval Board, food grains allocated and food grains actually lifted during 2010-15 are given in **Table 2.4.7.**

Table 2.4.7: Details of food grains to be allocated, actually allocated and lifted

(Quantity in Metric Tonnes)

Year	Working days (current Year)	Enrolment of previous year			Food grain required			Food grain actually allocated	Food grain lifted	Short		Short Percentage	
		Primary	Upper primary	Total	Primary	Upper Primary	Total			Allocation against actual requirement	Lifting against allocation	Allocation	Lifting
1	2	3	4	5 (3+4)	6	7	8 (6+7)	9	10	11 (8-9)	12 (9-10)	13	14
2010-11	220	1281259	725852	2007111	28187.70	23953.11	52140.81	48513.12	48,513.00	3,627.69	0.12	6.96	0.00
2011-12	240	1331966	779400	2111366	31967.18	28058.40	60025.58	53291.12	53,442.39	6,734.46	- 151.27	11.22	-0.28
2012-13	240	1306703	791879	2098582	31360.87	28507.64	59868.51	54016.38	51,064.61	5,852.13	2951.77	9.77	5.46
2013-14	240	1319417	803866	2123283	31666.01	28939.18	60605.19	53492.07	43,741.77	7,113.12	9750.30	11.74	18.23
2014-15	244	1223672	776351	2000023	29857.60	28414.45	58272.05	51236.75	48,618.51	7,035.30	2618.24	12.07	5.11
Total					**153039.36**	**137872.78**	**290912.14**	**260549.44**	**245380.28**	**30362.70**	**15169.16**	**10.44**	**5.82**

Source: Departmental data

The above table showed that against the requirement of 290912.14 metric tons (MT) foodgrains during 2010-15, only 260549.44 MT was allocated which was short by 30362.70 MT (10.*44 per cent*). Further, the Department short lifted the allocated food grains by 5.11 to 18.23 *per cent* during this period. It was also noticed that 157 (87 *per cent*) out of the 180 selected schools faced shortage of food grains and had to arrange it on loan basis from other schools. Further due to non-availability of foodgrains, MDM could not be served between 4 to 149 days in 49 test checked schools during 2010-15.

The Department stated (December 2015) that the allocation and lifting of food grains was calculated as per norms prescribed by the GOI and number of children actually served MDM during the preceding year. So far as non-serving of MDM to students in 49 schools is concerned, the Department assured to examine the matter.

2.4.9.5 Incomplete/non-construction of KCSs

As per para 2.3 of guidelines, KCS should be constructed in each school to facilitate cooking in the school itself. Up to 2008-09, the cost of constructing KCSs was borne by GOI and from December 2009 it was shared between the Centre and State in 75:25 ratio.

Audit observed that out of 20354 schools (including 728 government aided schools), only 18969[107] schools were planned during 2006-10 for construction of KCS, of which 18247 KCSs stood completed (2006-15) with expenditure of ₹ 109.48[108] crore whereas 198 were in progress (despite spending ₹ 1.19 crore) till date (July 2015). Government of Punjab released (July 2010) the Central Share of ₹ 5.92 crore for the construction of 524 KCSs but did not release SS of ₹ 2 crore. Thus, 2107 schools (1385 schools 'not planned for KCSs', 524 schools 'funds utilized towards cooking cost' and 198 schools 'work in progress') were deprived of the kitchen facilities. Further, it was observed that despite availability of funds, no grant for construction of KCSs was disbursed to 728[109] Government aided schools during 2010-15. Thus the MDM was prepared in temporary sheds as depicted in the following photographs:

Incomplete KCS
(Government Primary School, Baggi Khana, Patiala)
dated 13.3.2015

Food being cooked in open
(Lakhi Singh Girls Middle School, Miani, Hoshiarpur
dated 21-10-2014

Out of 180 selected schools, KCSs were not constructed in five schools and these were incomplete in 27 schools. In 17 schools, KCSs were not ventilated while no provision of safety specifications such as fire fighting systems were found in another 17 schools. As a result, MDM was being prepared in open and unhygienic conditions in these schools as depicted in the following photographs:

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Year	Number of schools planned for KCS	Funds released/utilized (₹ in crore)
2006-07	4571	27.43
2008-09	13874	83.24
2009-10	524	5.92
Total	**18969**	**116.59**

108 18247 x ₹ 60,000 = ₹ 109,48,20,300 say ₹ 109.48 crore.

109 326 Primary, 142 Upper Primary and 260 Upper Primary with Primary schools.

Government High School, Changra (Hoshiarpur) (17.10.2014)

Government Primary School, Bhamba Wattu Uttar (Ferozepur) (21.11.2014)

The Department stated (December 2015) that the latest position of the construction of kitchen sheds in Government as well as Government aided schools and funds utilized would be intimated.

2.4.9.6 Under performance by Cook-cum-Helpers

As per instructions issued by GOI (July 2010), the Cook-cum-Helpers (CCHs) are expected to perform all activities relating to cooking, serving and washing the utensils for which they are entitled to honorarium. In the case of centralized kitchens also, if all activities like cooking, serving and washing are undertaken by the NGOs, they are entitled to honorarium as well as cooking cost. However, if centralized kitchen does not arrange to get the meal served in the schools, then the honorarium can be apportioned between the centralized kitchen and the agency/individual serving the meal.

Audit observed that 603 CCHs were engaged in cenralised kitchens run by the NGOs in eight districts for preparation and delivery of MDM in 1501 primary and upper primary schools and 3280 CCHs were engaged in the schools for serving MDM to children and washing utensils. However, it was noticed in audit that MDM was not served and utensils were not being washed/cleaned by the CCHs engaged by contractual NGOs. During joint inspection of 25 schools, it was noticed that while the MDM was prepared locally in the schools, CCHs prepared and served it to children, but the utensils were cleaned by the children themselves as depicted in the following photographs:

MDM being served by children themselves
(SBAC Sr. Sec. Schools, Bajwara Hoshiarpur(16-10-2014)

Utensils being washed by children
(GPS Budo Barkat, Hoshiarpur)
(08-05-2015)

In the absence of supervision MDM being eaten in unmanaged manner
GPS Mathura Colony, Patiala
(13-03-2015)

No specific instructions were issued by the department with regard to (i) apportionment of the honorarium for not serving MDM and cleaning the utensils by the CCHs engaged by the NGOs; and (ii) not cleaning the utensils where the MDM was prepared locally in the schools. The full payment of honorarium was being made to the Cook-cum-Helpers at the rate of ₹ 1200 per month and not at apportionment basis.

The Department stated (December 2015) that necessary instructions would be issued to field offices.

2.4.9.7 Deficiencies in centralized kitchens

Norms were fixed by the GOI/GOP for setting up of centralized kitchen by contractual NGOs at one or more places in the district. Each kitchen established by the NGOs will serve not more than 100 schools and 10000 students.

Audit observed that contracts for the supply of cooked MDM to the students of class I-VIII in 171 schools (33032 students), 93 schools (17136 students) and 30 schools (2920 students) located in the municipal limits of Amritsar, Patiala and Sangrur districts respectively were awarded to two NGOs i.e. Baagdanga Paschim Gheri Bishlakshmi Club (Amritsar and Patiala) and Istri Shakti (Sangrur). The contract for Amritsar and Patiala districts was awarded on 01.08.2012 and for Sangrur district on 20.7.2012. The NGOs started supply of cooked MDM in the schools on 02.01.2014 (Amritsar), 10.02.2014 (Patiala) and 07.11.2012 (Sangrur) i.e. after a gap of more than one year due to non-establishment of centralized kitchen as per norms. During physical visit of centralized kitchens and verification of the records, deficiencies such as water samples were not being got tested, prescribed menu was not being observed, cooks were not using gloves as detailed in ***Appendix 2.3***, were noticed.

Due to non-establishing of centralized kitchen in Amritsar and Patiala districts, quality of cooked MDM was not being maintained as per norms as it was being prepared and served in the unhygienic conditions as depicted in the following photographs:

Unhygienic condition Roti making workstation (Centralized kitchen, Amritsar, dated 29.04.2015)

Over baked roti served to children (Centralized kitchen, Patiala, dated 13.03.2015)

Boiled potato served against the menu of Potato black gram vegetable (Centralized kitchen, Patiala dated 13.03.2015)

Audit further noticed in Amritsar, Patiala and Sangrur districts that while 83 to 88 *per cent* of children consumed MDM cooked in school premises, only 72 to 79 *per cent* of children consumed MDM prepared by NGOs which was indicative of the poor quality of food being prepared by NGOs.

The Department stated (December 2015) that instructions to improve the quality of MDM would be issued to the NGOs concerned.

2.4.9.8 Other irregularities

During performance audit, it was noticed that requisite guidelines/instructions such as non-provision of potable water, non-maintenance of health register and health card, non-providing of training to CCHs, non-obtaining of licence as required under FSSI Act (in respect of Amritsar, Bathinda, Patiala and Jalandhar) were not adhered to. These are detailed in ***Appendix 2.4***.

Although the MDMS was operative in the State for over a decade, the department could not address the above mentioned irregularities.

2.4.10 Internal control mechanism

Internal control and monitoring mechanism of activities of a department plays a vital role in successful implementation of various schemes and efficient and effective running of the department. Audit tested existence and adequacy of internal controls with reference to Management Information System and other issues and it was noticed that the Management Information System was inadequate at block level. The scheme is monitored by the Steering-cum-Monitoring Committees at State, District and Block level headed by Chief Secretary, Deputy Commissioner and Sub-Divisional Magistrate respectively constituted at respective levels. The weaknesses noticed are discussed below:

2.4.10.1 Non-preparation of inspection reports (IRs) at districts/blocks levels

Para 6.2 of the guidelines envisages that the State Government will fix the monthly targets for inspection of MDM served in schools/EGS-AIE centres in respect of officers of district, Sub-Divisional, Tehsil/Taluka, block and other suitable levels belonging to different departments[110]. Further, inspection targets are to be fixed and inspections are to be so coordinated that 25 *per cent* of the schools and EGS/AIE centers are inspected quarterly and all schools and EGS/AIE centers are inspected at least once in a year. Inspection reports are to be prepared for all levels and submitted to SMC meetings for remedial measures.

Audit observed that inspection reports (IRs) of field visits were prepared at the headquarters level and discussed with the higher authorities but the same were not submitted and discussed in the State SMC meetings. It was further observed that no IRs were prepared at the district/block levels in respect of inspected schools. As a result, the deficiencies/shortcomings (*as discussed in the para 2.4.7.2 and 2.4.9.4*) in the implementation of the scheme, if any, could not be discussed/analyzed in SMCs meeting for taking corrective measures.

[110] Rural Development/Urban Administration; School Education; Women & Child Development; Health & Family Welfare; Food and Civil Supplies, etc.

The Secretary stated (December 2015) that preparation and submission of Inspection Reports in the SMC meetings to take remedial measures would be included as a regular agenda item in the meetings of the SMC in future.

2.4.10.2 Lack of Management Information System (MIS) at block level

Para 6.1(i) of guidelines envisages that an MIS Cell with computer and internet should be established in the state for a sound system of accounting and reporting, involving maintenance of daily attendance register, recording of students availing MDM, stock books for food grains and other cooking items, cash book for cooking cost, etc., at school level and consolidate this information at block and district levels.

Audit observed that though computer based MIS system was established at state and district levels it had not been established at block level so far. Consequently, a true and fair picture of the data could not be ensured.

The Department stated that Roopnagar district had been selected for pilot project for mobile SMS alert system for speedy transmission of information.

2.4.10.3 Other shortcomings in monitoring

We noticed that provisions of MDMS guidelines were violated as:

- neither the accounts of the Society were audited by Chartered Accountant (CA) nor any Annual Reports were prepared (MDM Society Rules);

The Department stated (December 2015) that the audit of the society by CA had been instituted and was under process.

- though evaluation studies of the scheme had been conducted between January and November 2014 by Panjab University, no action was taken on its recommendations such as timely supply of foodgrains/storage bins, proving cooking cost in advance to the schools on quarterly basis, replacement of cooking utensils, repair of kitchen sheds, etc. (Para 3.9.2 of guidelines); and

The Department stated (December 2015) that copy of the evaluation report would be provided to audit. However no reason for not implementing the recommendation of evaluation report was intimated to audit.

- no social audit of the scheme had been conducted (GOI instructions of July 2013).

The Department stated (December 2015) that the social audit of Ropar and Sangrur districts had been conducted by Panjab University, Chandigarh.

Conclusions

Due to non-adoption of bottom up approach in preparation of Annual Work Plan and Budget, cooking cost/food grains were not disbursed as per the requirement of the schools, causing disruption in some schools in provision of

MDM. Mid Day Meal Scheme was not implemented in some of Government aided schools. Non-utilization of funds as per scheme guidelines, non-release of funds for MME to schools, decrease in enrolment, retention and daily attendance of children in the schools covered under the scheme, non-providing of calorific value and protein as per prescribed norms were noticed. Kitchen-cum-stores were either not planned for construction or these were incomplete. Centralized kitchens were not established as per specifications by NGOs. Potable water, weighing machines/height recorders were not available in some schools. Inspection Reports were not prepared and discussed in SMC meetings at all levels to take remedial measures. Computer based MIS System was not established at block level.

Recommendations

The State Government may ensure:

(i) that all the eligible children of Government aided schools get the benefit of the scheme;

(ii) timely and adequate release of allocated funds and diversion thereof is avoided;

(iii) providing calorific value and protein to the children as per prescribed norms, establishing centralized kitchens as per specifications. KCS is constructed in every school where the MDM is prepared in the school; and

(iv) inspection reports of field visits are prepared and submitted in the SMC meetings at all levels for taking suitable remedial measures and establishment of comprehensive computer based MIS system.

The matter was referred to Government in July 2015; reply was awaited (January 2016).

PUBLIC WORKS (BUILDINGS & ROADS) AND AGRICULTURE DEPARTMENTS

2.5 NABARD assisted projects for widening of plan and link roads and construction of bridges

With a view to strengthen the road infrastructure in rural areas, Public Works Department (Buildings and Roads Branch) and Punjab Mandi Board (Agriculture Department), with the assistance of National Bank for Agriculture and Rural Development (NABARD), constructed/ upgraded/widened the roads and constructed bridges in the State.

Some of the significant findings of the Performance Audit are given below:

- ***The Finance Department did not release NABARD funds of ₹ 54.47 crore. Similarly the Agriculture Department did not release ₹ 17.89 crore to the Punjab Mandi Board (PMB).***

  (Paragraph 2.5.7.1 (i))

- ***Treasury Officers did not clear bills of ₹ 190.42 crore during the same financial year. Savings of ₹ 18.83 crore were irregularly utilised on unapproved works.***

  (Paragraphs 2.5.7.1 (ii) and 2.5.7.2)

- ***Instead of deducting cultural and cancer cess from the payments of the contractors, the Chief Engineer (PMB) deducted ₹ 9.82 crore out of the project funds thereby not only diverting the project funds but also extending undue favour to the contractors.***

  (Paragraph 2.5.7.4 (i & ii))

- ***Instances of award of the works without tendering (₹ 10.43 crore), allotment of works on single tender (₹ 18.49 crore) and start of the works prior to technical sanctions (₹ 520.43 crore) were noticed.***

  (Paragraphs 2.5.8.6, 2.5.8.7 and 2.5.8.8(i&ii))

- ***Deviations from the laid down specifications resulted in avoidable expenditure of ₹ 0.78 crore.***

  (Paragraphs 2.5.8.10)

- ***The contractors were favoured by not obtaining prescribed insurance covers of ₹ 5.12 crore, non/short obtaining of bank guarantees (BG) worth ₹ 3.80 crore and non-revalidation of BGs of ₹ 1.19 crore.***

  (Paragraph 2.5.8.12(iii & iv))

- ***Internal control mechanism was found deficient.***

  (Paragraphs 2.5.9.1 and 2.5.9.2)

2.5.1 Introduction

Punjab has an extensive network of 68605 km roads comprising 1463 km of National Highways, 8439 km of plan roads and 58703 km of link roads. The construction and maintenance of roads of the State is being financed from different sources viz. World Bank, NABARD, centrally sponsored schemes viz. Pradhan Mantri Gram Sadak Yojna, Central Road Fund, Punjab Infrastructure Development Board. Public Works Department (Buildings and Roads), Punjab (PWD) is responsible for construction and maintenance of roads in the state and Punjab Mandi Board (PMB) has also been entrusted with the responsibility of construction and repair of link roads. With a view to strengthen the road infrastructure in rural areas through construction/ upgradation/widening of roads and construction of bridges, NABARD had been providing loan assistance to the State under Rural Infrastructure Development Fund (RIDF) since 1997-98.

2.5.2. Organisational set-up

The NABARD assisted works were executed by PWD (B&R) under the administrative control of the Principal Secretary to Government of Punjab, PWD. The field organization of PWD consists of circles, each headed by a Superintending Engineer (SE). Each circle has a number of executing divisions headed by Executive Engineer (EEs). SE, Construction Circle, Chandigarh is the designated Nodal Officer (SE (Nodal)) for NABARD works.

Further, NABARD works under RIDF-XIX were also executed by PMB under the administrative control of Principal Additional Chief Secretary to Government of Punjab (Development), Department of Agriculture. At Board's level Chief General Manager, PMB is the head. PMB has its own engineering wing headed by Chief Engineers, assisted by SEs who in turn are supervising the various divisions, each headed by an EE.

2.5.3. Audit objectives

The objectives of performance audit were to assess whether:

- planning process for implementation of the projects was efficient and effective;
- financial management was efficient and effective;
- execution of the projects was done economically, efficiently and effectively and in accordance with laid down specifications; and
- adequate internal control mechanism was in place.

2.5.4. Scope of audit and methodology

For conducting the performance audit, six[111] out of 22 districts of Punjab were selected on the basis of expenditure by adopting 'Probability Proportional to

[111] (i) Gurdaspur (three divisions of PWD and one division of PMB); (ii) Jalandhar (three divisions of PWD and one division of PMB); (iii) Sri Muktsar Sahib (two divisions of PWD and one division of PMB); (iv) Sangrur (two divisions of PWD and one division of PMB); (v) Shahid Bhagat Singh Nagar (SBS Nagar) (one division of PWD and one division of PMB); and (vi) Tarn Taran (two divisions of PWD and one division of PMB).

Size with Replacement' method. Records for period 2010-15 were test checked (December 2014–June 2015) in the offices of the Chief Engineers concerned, SE (Nodal) and the 19 divisions (13-PWD and 6-PMB) of the selected districts. Mention was made in the Comptroller and Auditor General of India's Report (Civil) for the years ended 31 March 2004 (paragraph 3.1) on National Bank for Agriculture and Rural Development assisted development projects. The recommendations of the Public Accounts Committee were kept in view while finalizing the performance audit.

An entry conference was held on 04 February 2015 with the representatives of the departments of PWD and Agriculture/PMB wherein the objectives, scope, criteria and methodology of audit were discussed. Audit findings were discussed with the representatives of both the above said departments in an exit conference held on 16 October 2015. Responses received from the departments have been incorporated in the report.

2.5.5. Audit criteria

The criteria against which the audit findings were benchmarked were derived from the followings sources:

- Punjab Public Works Department Code;
- Departmental Financial Rules and Punjab Financial Rules;
- Guidelines/instructions issued by the Government of India/Punjab and NABARD from time to time; and
- Specifications issued by Indian Road Congress/Ministry of Road Transport and Highways.

Audit findings

2.5.6 Planning

2.5.6.1 Preparation of incomplete project proposals

As per NABARD guidelines, subsequent coats on the roads shall be laid after an interval of five years. Audit observed from the records of the SE (Nodal) and the CE (PMB) that the date of previous carpeting of the roads being proposed for re-carpeting was not mentioned in the project proposals submitted for sanction. In the absence of this detail the possibility of inclusion of ineligible roads i.e. proposing roads prior to completion of the prescribed period of five years and the roads which had already been covered or proposed to be covered under some other schemes could not be ruled out. Some of the instances noticed during the audit are discussed in paragraphs 2.5.8.3, 2.5.8.4 and 2.5.8.5.

In the exit conference, PWD stated that projects under RIDF were submitted on actual requirement of site and a certificate was also furnished that roads proposed under NABARD were not sanctioned under PMGSY/any other schemes. The CE (PMB) while noting the point for strict future compliance stated that cut-off date for inclusion of roads under NABARD project was taken as 31 March 2005 which covered the status of previous carpeting of roads for more than five years automatically. Further, it was stated that there might have been omission in DPR, otherwise they had the records of periods when the roads were carpeted earlier. The replies were not acceptable as Audit observed instances of overlapping i.e. proposing the same roads under different schemes, inadequate survey and cost overrun of an eligible project involving 101 rural roads due to submission of an ineligible project as discussed in paragraphs 2.5.8.3, 2.5.8.4 and 2.5.8.5.

2.5.7 Financial management

2.5.7.1 Financial outlay and expenditure

The NABARD provided loan assistance to the extent of 80 *per cent* of the project cost and the remaining 20 *per cent* was to be met by the State Government. The FD was the nodal department for submission of project, scrutiny of documents and drawl of funds. On sanction of loan, 20 *per cent* of the project cost was released by the NABARD as an advance to the FD and the balance was to be reimbursed on submission of monthly/quarterly expenditure statements. Thereafter, FD released the funds to PWD for RIDFs-XVI, XVII and XIX (XIX was also to be executed by the PMB). FD released funds to Agriculture Department (AD) for further transfer to PMB. NABARD sanctioned five tranches during 2010-15. However, no project was sanctioned during 2011-12 and 2014-15).Tranche wise position of funds released by NABARD to FD, FD to PWD/Agriculture Department and amount cleared by treasuries during 2010-15 is given in **Tables 2.5.1**.

Table 2.5.1: Tranche-wise funds released by NABARD, FD and treasuries during 2010-15

(₹in crore)

Tranche (RIDF)	**Project cost**			**Funds released by NABARD**	**Funds released by FD to PWD/AD***			**Released by FD out of funds not cleared by TOs during previous years**	**Total funds released**	**Amount cleared by the TOs/AD* during the same year**	**Amount not cleared by TOs/AD* during the same year**	**Actual Expen-diture Booked**
No. of Works (Date of sanction of tranche)	**NABARD Share**	**State Share**	**Total**		**NABARD Share**	**State Share**	**Total**					
1	**2**	**3**	**4 (2+3)**	**5**	**6**	**7**	**8 (6+7)**	**9**	**10 (8+9)**	**11**	**12(10-11)**	**13**
XVI/39 (**28.06.2010**)	166.25	41.56	207.81	152.78	152.78	38.20	190.97	23.67	214.64	187.14	27.50	178.95
XVI(i)/57 (**07.02.2011**)	49.69	12.42	62.11	48.00	48.00	12.00	60.01	26.52	86.53	58.81	27.72	57.83
XVI(ii)/6 (**03.03.2011**)	43.89	10.97	54.86	40.54	40.54	10.13	50.67	36.32	86.99	39.99	47.01	51.75
XVII/7 (**25.05.2012**)	66.17	16.55	82.72	47.79	44.96	11.24	56.21	14.20	70.40	37.84	32.56	42.62
XIX /101 (**12.09.2013**) (PWD)	68.00	17.00	85.00	44.31	23.20	3.40	26.60	41.05	67.65	12.02	55.63	19.24
Sub Total (PWD)/210	**394.00**	**98.50**	**492.50**	**333.42**	**309.48**	**74.97**	**384.46**	**141.76**	**526.21**	**335.80**	**190.42**	**350.39**
XIX/380/ (**22.10.2013**) PMB	285.93	71.48	357.41	254.78	224.25	105.43[112]	329.68	NA	311.79	NA	17.89	254.15
Grand Total	**679.93**	**169.98**	**849.91**	**588.20**	**533.73**	**180.40**	**714.14**	**141.76**	**838.00**	**335.80**	**208.31**	**604.54**

Source: Compiled from Departmental records **** TO: Treasury Office, AD: Agriculture Department; NA: Not applicable***

112 ₹ 33.95 crore were released in excess of the approved State share due to cost escalation, funded by PMB.

Table 2.5.1 showed that:

(i) Out of ₹ 588.20 crore released by NABARD in respect of tranches sanctioned during 2010-15, FD released ₹ 533.73 crore leaving ₹ 54.47 crore unreleased. Further, out of ₹ 224.25 crore released by FD to AD, the latter released only ₹ 206.36 crore to PMB, resulting into short release of ₹ 17.89 crore. Further, FD released ₹ 608.70 crore (the entire NABARD share of ₹ 533.73 crore, and State share of ₹ 74.97 crore) with delay ranging between 03 and 309 days *(as discussed in paragraph 2.5.8.2)*.

In the exit conference, both the departments stated that the matter had already been taken-up with FD. The FD did not furnish reply.

(ii) ₹ 190.42 crore released by FD to PWD was not cleared by the treasuries during the same financial year. In case of test checked divisions of PWD, bills of ₹ 4.06 crore[113] were not passed by treasuries concerned.

In the exit conference, PWD stated that PWD submitted the bills to the treasuries on the basis of actual work done against the Letter of Credit and budget allocation issued by FD and that there was no delay on the part of PWD. The FD did not furnish reply(January 2015).

(iii) Against overall release of ₹ 335.80 crore by treasuries to PWD, ₹ 350.39 crore were incurred (April 2015) on works of various tranches which led to excess expenditure of ₹ 14.59 crore. In six test checked divisions also, ₹ 98.63 crore were incurred against receipt of ₹ 81.80 crore resulting into excess expenditure of ₹ 16.83 crore[114].

In the exit conference, PWD stated that there was no delay on the part of the PWD whereas FD did not furnish reply. The CE (PMB) stated that excess expenditure was incurred in anticipation of receipt of balance funds in the interest of works. The replies confirm non-release of required funds by FD.

(iv) Non/short payment against the works done

Scrutiny of records in the office of the SE (Nodal) showed that out of 142 completed works, no expenditure was incurred against 19 works completed between June 2014 and March 2015. In three[115] test checked divisions, payment of ₹ 5.48 crore was not made against execution of 10 works due to non-availability of funds. Non-payment against the executed works led to creation of liability and had already pushed the Government into litigation.

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[113] EEs, CD II, Amritsar-₹ 2.34 crore; and CD, Sri Muktsar Sahib - ₹ 1.72 crore.

[114] EEs, (i) CD, Gidderbaha-₹ 0.37 crore; (ii) PMB, Sri Muktsar Sahib -₹ 9.88 crore; (iii) PMB, Sangrur-₹ 0.80 crore; (iv) PMB, Jalandhar- ₹ 1.38 crore; (v) PMB, SBS Nagar- ₹ 2.64 crore; and (vi) PMB, Tarn Taran-₹ 1.76 crore.

[115] EEs,(i) CD II, Amritsar-₹ 3.74 crore; (ii) PD, Jalandhar-₹ 1.45 crore; and (iii) CD, Sri Muktsar Sahib -₹ 0.29 crore.

In the exit conference, PWD stated that expenditure was not incurred due to less allocation of budget during 2014-15 and there was no delay on the part of PWD. The FD did not furnish reply.

2.5.7.2 Irregular utilization of NABARD savings

As per condition of NABARD, the loan was to be utilized only on the approved works. Audit observed that four divisions, utilised ₹ 18.83 crore, (**Table 2.5.2**) out of savings of ₹ 29.78 crore on 16 works ranging between 23 and 27 *per cent* approved under various tranches of RIDF, on the works not covered under the project approved by NABARD.

Table 2.5.2: Position of utilization of savings on unapproved works

(₹ in crore)

Sr. No.	Name of the division	RIDF	Reference to works from where savings were utilized					Reference to unapproved works on which savings were utilised		
			No.	Length of roads	Project cost	Completed cost	Savings (*per cent*)	No.	Length of roads	Expenditure (as on 30 April 2015)
1	CD, Sri Muktsar Sahib	XVI	4	49.75	25.25	19.56	5.69 (23)	6	10.77	5.19
2	CD, Gidderbaha	XVI	2	34.40	17.49	12.84	4.65 (27)	2	10.49	3.68
3	PD, Sangrur	XVI (i)	6	115.22	52	39.82	12.18 (23)	4	37.57	7.17
		XVI (ii)	3	60.24	24.6	18.33	6.27 (25)	3	9.2	1.8
4	CD No.1 Hoshiarpur	XVI	1	9.45	4.38	2.94	0.99* (23)	1	9.45	0.99*
Total			**16**	**269.06**	**123.72**	**93.49**	**29.78 (24)**	**16**	**77.48**	**18.83**

Source: Compiled from Departmental records

* Savings calculated from total expenditure and allotted cost of original work and savings were utilised on same work by enhancement of allotted work due to increasing richer specification

The expenditure on the originally approved roads and the subsequently executed unapproved roads (from savings) was kept within overall project cost of the works approved by NABARD thereby obviating the need for sanction of the NABARD or the State Government which was not only in violation of NABARD's conditions of sanction of loan but also indicated unrealistic preparation of projects as well. While discussing Para 3.1.12 of C&AG's Audit Report for the year ended 31 March 2004, PAC recommended that instead of preparing inflated estimates, the Department should prepare estimates as per financial rules. However, the irregularity was still persisting.

In the exit conference, PWD stated that the works were executed in view of public demand for immediate repair works. It was also stated that NABARD authorities during High Powered Committee (HPC) meetings under the Chairmanship of CS, Punjab with regard to the agenda item of "gap in disbursement'' directed to utilize whole of the fund sanctioned under various schemes. The reply was not acceptable as the funds could be utilized only on the approved works and perusal of the minutes of the HPC revealed that NABARD had not directed to utilize the whole fund as stated in the reply. It had rather advised GOP to pursue the matter with GOI/Planning Commission for enhancement of draw-able limit under Article 293(3) of the Constitution of India. EE, CD No.1, Hoshiarpur did not furnish any reply (January 2015).

2.5.7.3 Disproportionate release of funds for individual works

Audit observed that the CE (PMB), instead of releasing the funds for individual works in accordance with the actual demand/progress of the works, released funds proportionately[116] to the project cost of each work as is evident from the **Table 2.5.3**.

Table 2.5.3: Funds received by PMB for RIDF-XIX and release thereof for individual works

(₹ in crore)

No. of works	Project cost	Funds released	Expenditure	Short(-)/ excess(+) release of funds	Percentage range of excess/ short release on individual works
260	259.89	139.92	207.80	-67.88	1 to 724
107	125.57	75.17	42.49	32.68	1 to 100
13	5.91	3.86	3.86	0.00	0
380	**391.37**	**218.95**	**254.15**	**--**	**--**

Source: Compiled from the Departmental data

For 260 works having project cost of ₹ 259.89 crore, ₹ 139.92 crore (54 *per cent* of the project cost) were released against which an expenditure of ₹ 207.80 crore (80 *per cent* of the project cost) was incurred resulting in excess expenditure of ₹ 67.88 crore which ranged between 01 and 724 *per cent* over and above the funds released for individual works. Whereas in 107 works having project cost of ₹ 125.57 crore, funds of ₹ 75.17 crore were released against which an expenditure of ₹ 42.49 crore (34 *per cent* of the project cost) was incurred with a saving of ₹ 32.68 crore which ranged between 01 and 100 *per cent* for individual works. This indicated that the release of funds for the individual works was not need based.

In the exit conference, CE (PMB) stated that the funds were released after the utilization of the previous funds by the field offices. The reply was not acceptable as the funds were released to the divisions for all the works in a certain percentage of the respective project cost instead of actual demand based on the physical progress/actual expenditure.

2.5.7.4 Irregular/non-deduction/non-deposit of cultural and cancer cess

As per Government of Punjab, Department of Cultural Affairs' notification dated 18 April 2013, one *per cent* cultural cess on the project cost of roads, bridges, flyovers, railway over bridges/railway under bridges, etc. under taken by the PWD and PMB was to be levied and collected with effect from 15 April 2013 and deposited into Government account[117]. Similarly, as per Government of Punjab, Department of Health and Family Welfare's notification dated 30 April 2013, one *per cent* on account of cancer cess of

[116] Say if 12 *per cent* of the project cost was received then each work was released funds at the rate of 12 *per cent* of its project cost instead of actual demand/progress of the works.

[117] 0202-Education, Sports, Arts and Culture.

tender amount (not less than ₹ 50 crore) of the works was to be deposited in Government account[118].

Audit of records of PWD and PMB showed that:

(i) The CE (PMB) instead of deducting one *per cent* cultural cess from the contractors' payments deducted ₹ 7.41 crore out of the project funds at the time of release of funds (March 2014 to April 2015) to the executing divisions and deposited the same in Government account. This resulted in diversion of funds and undue financial benefit to the contracting agencies.

In the exit conference, CE (PMB) stated that deduction of cess from contractors' bill was not mentioned in the notification. The reply was not acceptable as the notification referred to above provides for levy, collection and deposit of cess into Government account and in this case PMB neither levied nor collected the cess but deposited it in Government account from the project funds.

(ii) Under RIDF-XIX, the CE (PMB) released (March 2014 to April 2015) ₹ 295.74 crore to its executing divisions after deduction of ₹ 2.41 crore on account of cancer cess and deposited the same under the concerned head.

In the exit conference, CE (PMB) stated that cancer cess was to be paid on the project cost and not the individual works under the project. The reply was not acceptable as the cancer cess was to be paid in respect of works having minimum tendered cost[119] of ₹ 50 crore while in the instant case, tendered cost of none of the work was more than ₹ 50 crore. Hence, the cancer cess was not to be paid.

(iii) Further, 10 test checked EEs[120] of PWD (B&R) did not deduct cultural cess of ₹ 15.50 lakh from ₹ 15.50 crore paid to the contractors extending undue financial benefit to them.

In the exit conference, PWD stated that seven divisions deducted an amount of ₹ 7.18 lakh, but neither supporting documents for deduction nor for depositing the amount into treasury were supplied by the department in two divisions involving an amount of ₹ 2.49 lakh and no reply was submitted for remaining three divisions.

2.5.7.5 Non-deposit of interest into Government accounts

As per instructions (August 1999) of the FD, any interest earned on money kept in banks shall be treated as Government receipt and is to be deposited into treasury. Contrary to the above, the CE, (PMB) and five test checked

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[118] 0210-Medical and Public Health.

[119] As clarified by the Department of Health and Family Welfare vide their notification dated 30 April 2013.

[120] EEs : (i) PD, Jalandhar ; (ii) CD 2 Jalandhar; (iii) PD, Gurdaspur; (iv) CD, Sri Muktsar Sahib; (v) PD, SBS Nagar; (vi) CD, Pathankot; (vii) CD 1, Jalandhar; (viii) PD, Sangrur; (ix) CD-2; Amritsar; and (x) CD-1 ; Amritsar.

divisions of PMB earned (March 2014 to April 2015) interest of ₹ 0.78 crore[121] (RIDF-XIX funds) but did not deposit the same into Government account.

In the exit conference, CE (PMB), while admitting to deposit the interest earned in bank, stated that the same would be done at the completion of the project so that the pace/progress of the works being executed does not suffer due to the paucity of the funds. The reply was not acceptable as the interest should have been deposited immediately in the Government account as per Rule 2.4 of Punjab Financial Rules.

2.5.8 Implementation

2.5.8.1 Delay in completion of the projects

During 2010-15, NABARD sanctioned five tranches comprising of 590 works (PWD: 210 works and PMB: 380 works) having project cost of ₹ 849.91 crore to be executed by the Public Works Department (Punjab) and PMB. Physical progress of different tranches is given in the **Table 2.5.4**.

Table 2.5.4: Status of execution as on 30 April 2015 of different tranches sanctioned during 2010-15

Tranche (RIDF)/ (Date of sanction)	Executing agency	No. of Works	Project cost (₹ in crore)	Scheduled date of completion of tranches	No. of works completed within scheduled date of tranches	No. of works completed after scheduled date of tranches	No. of works still incomplete	Percentage of Shortfall
XVI (28.06.2010)	PWD	39	207.81	31.03.2013	38	1	0	0
XVI(i) (07.02.2011)	PWD	57	62.11	31.03.2014	56	1	0	0
XVI(ii) (03.03.2011)	PWD	6	54.86	31.03.2014	6	0	0	0
XVII (25.05.2012)	PWD	7	82.72	31.03.2015	2	0	5	71
XIX (12.09.2013)	PWD	101	85.00	31.03.2016	38	Not yet due	NA	NA
XIX (22.10.2013)	PMB	380	357.41	31.03.2015	230	0	131*	34
	Total	**590**	**849.91**		**370**	**02**	**136**	

Source: Compiled from Departmental data ***excluding 19 works were not started.**

Table 2.5.4 showed that overall completion of the tranches was almost achieved in respect of RIDF XVI, XVI (i) and XVI (ii). However, five (71 *per cent*) out of seven of RIDF-XVII (PWD) were still incomplete and 60 out of 101 works of RIDF XIX (PWD) were not yet due whereas 3 works of RIDF XIX (PWD) were not taken up at all and 131 (34 *per cent*) out of 380 works of RIDF-XIX (PMB) were delayed beyond the scheduled dates of completion of the respective tranche.

In the exit conference, PWD attributed delay to shortage of funds, inadequate budget provision and ban on mining. The CE (PMB) also attributed the delay

[121] CE, PMB-₹ 45.72 lakh; EEs of PMB, (i) Sri Muktsar Sahib -₹ 20.71 lakh; (ii) Jalandhar-₹ 2.45 lakh; (iii) Sangrur- ₹ 1.22 lakh; (iv) SBS Nagar – ₹ 4.70 lakh; and (v) Tarn Taran-₹ 3.06 lakh.

to the paucity of funds and in some works to alignment dispute, improper disposal of rain water, etc.

2.5.8.2 Delay in completion of individual works

Status of completion of tranches was given in **Table 2.5.4** whereas status of completion of individual works (tranche wise) is given in the **Table 2.5.5.**

Table 2.5.5: Status of works of each tranche as on 30.04.2015

Tranche (RIDF)	Executing Agency	No. of works	No. of works completed within scheduled date of completion (*per cent*)	Number of works completed after scheduled date of completion (*per cent*)	No. of completed works where scheduled date of completion was not available (*per cent*)	Number of works not yet completed after scheduled date of completion (*percentage*)	No. of incomplete works where scheduled date of completion was not available (*per cent*)	Number of works not yet taken up (*per cent*)
XVI	PWD	39	0 (0)	37 (95)	02 (5)	0	0	0
XVI(i)	PWD	57	0 (0)	56 (98)	01 (2)	0	0	0
XVI(ii)	PWD	6	0 (0)	06 (100)	0 (0)	0	0	0
XVII	PWD	7	0 (0)	02 (29)	0 (0)	04 (71)	01	0
XIX	PWD	101	3 (3)	32 (32)	03 (3)	44 (60)	16	03[122] (3)
Sub Total	**(PWD)**	**210**	**03 (01)**	**133 (63)**	**06 (03)**	**48 (23)**	**17 (08)**	**03 (01)**
XIX	PMB	380	0 (0)	0 (0)	230 (61)	0 (0)	131 (34)	19 (5)
Grand	**Total**	**590**	**3 (1)**	**133 (23)**	**236 (40)**	**48 (08)**	**148 (25)**	**22 (04)**

Source: Compiled from Departmental data

(i) Out of 210 works executed by PWD, only three (almost negligible) were completed within stipulated date of completion, 133 works (63 *per cent*) were completed with delay ranging between 26 and 1189 days beyond the stipulated date of completion, 65 (48+17) (31 *per cent*) works (including 5 works of Tranche XVII) were still (April 2015) in progress though stipulated date of completion of 48 works had already lapsed by period ranging between 30 and 687 days whereas delay in 17 works could not be ascertained due to non-availability of the stipulated date of completion. Further, in 11 out of 13 test checked divisions, it was noticed that out of 139 works, 81 works were completed with a delay ranging between 2 and 1009 days beyond stipulated date of completion. Another 35 woks were not completed (April 2015) even after a lapse of 56 to 668 days from scheduled date of completion.

(ii) Out of 380 works executed by PMB, Audit observed that only 230 works (61 *per cent*) were completed, 131 (34 *per cent*) works were in progress even after lapse of targeted date of completion of the tranche and 19 works were not taken up at all. Delay in completion of the individual works with reference to stipulated date of completion could not be ascertained due to non-availability of details thereof in the progress report. Further, in six test checked divisions, it was noticed that out of 194 works, 88 works were completed with a delay ranging between 16 and 341 days and 93 works were not completed (April 2015) even after a lapse of 56 to 311 days after the targeted date of completion.

In the exit conference, PWD and the CE, (PMB) attributed non-completion of the works to non/short/delay in release of funds and non-passing of bills by the treasuries.

[122] These works could not be started as same were proposed under PMGSY.

2.5.8.3 Overlapping of proposals under different schemes

Audit of records of PWD and PMB showed that 14 works (tabulated below) valuing ₹ 15.19 crore having 68.86 Kms road length approved under RIDF XIX could not be executed as these roads were also proposed under PMGSY during 2013-14 because of the deteriorating condition of the roads and demand of the people of the area for immediate repair of the road. However, the roads had neither been approved under PMGSY nor constructed under NABARD so far, thereby negating the emergency of proposing the road under PMGSY.

Table 2.5.6: Roads proposed under PMGSY as well as NABARD

(₹ in crore)

Sr. No.	Name of the executing agency	No. of works	Value of works	Length of roads (Kms)	Funds released	Expenditure	Interest on funds released
1	PWD	3	2.68	16.38	0	0	0
2	PMB	11	12.51	52.48	4.71	0.52	0.20
	Total	**14**	**15.19**	**68.86**	**4.71**	**0.52**	**0.20**

Source: Compiled from departmental records

Further, during March 2014 to April 2015 PMB released ₹ 4.71 crore for execution of six works (out of 11 works). However, these works were not executed by PMB against which the State had to pay interest of ₹ 0.20 crore. Of the six works of PMB, one work under the EE, PMB, Sangrur was allotted (28 January 2014) with time limit of five months for ₹ one crore under RIDF-XIX was not executed as the same was proposed (December 2013) under PMGSY where it was not approved. Finally, the work was re-allotted (June 2015) under NABARD-XIX to the same contractor at his earlier rates of January 2014 for completion within five months and work was in progress (October 2015) after incurring an expenditure of ₹ 0.52 crore. The work of the road stipulated to be completed in June 2014 had already been delayed by almost one and half year so far (October 2015).

In the exit conference, PWD stated that keeping in view the public interest and urgency for immediate repair, the roads were approved under NABARD from where these were dropped to save money and proposed under PMGSY during 2013-2014 but the same had not been approved so far (September 2015) under PMGSY. The reply of the department was self-contradictory as the roads were approved under NABARD by citing urgency and later on proposed under PMGSY. However, despite problems being faced by the people of the area, the road work had not been executed under any of the schemes so far. Further, the plea of saving money for the State was not convincing as it is contradictory to urgency of execution of the roads. Besides, the urgency as well as the availability of PMGSY option was a known fact at the time of submitting initial proposal under NABARD.

In the exit conference, CE (PMB) stated that funds amounting to ₹ 4.71 crore were released on lump sum basis and not road wise and if funds for these roads were released initially, the same were adjusted against other roads approved under the same project. The reply was not acceptable as the records showed that the funds were released road wise, thus, release of funds without requirement for execution reflects poor financial management as the State had to pay interest. Further, it was stated that they had a proper system which was being updated periodically. However, no such document was supplied in spite of being asked repeatedly.

2.5.8.4 Inadequate survey

While submitting the project proposal under RIDF-XVI (i), a certificate of site inspection certifying that no land acquisition was involved in the works being proposed was furnished under the signature of the SE, EE and the Sub-Divisional Officer concerned along with the DPR of each work.

Scrutiny of records of the EE, Construction Division (CD) No. 2, PWD (B&R), Amritsar showed that five[123] roads were technically sanctioned in September 2011 at a cost of ₹ 2.44 crore. The FD on request of PWD requested (April 2013) to NABARD that these could not be started due to non-availability of land. Subsequently, the EE requested (May 2013) the SE, Construction Circle, Amritsar to replace these roads with five[124] new roads on the ground that wrong names were indicated in the approved project. The CE and the FD requested (May-June 2013) NABARD to sanction new roads on the said plea. Thus, it was evident that certificate of site inspection furnished at the time of submission of project was not based on the actual site inspection.

In the exit conference, PWD stated that the certificate of the site inspection regarding availability of land furnished at the time of submission of the project, was based on assurance given by the villagers who did not agree to give land later on. The reply was contradictory to the request (May 2013) of the EE to replace the roads on the plea of wrong indication of names. Moreover, the reason of refusal of villagers to provide land were not mentioned at any stage i.e. from the request of the EE to replace the roads to submission thereof to FD and finally to NABARD.

2.5.8.5 Submission of ineligible project resulted into cost overrun of eligible project

As per NABARD guidelines, only short duration projects which would be completed within three to five years would be considered.

Audit scrutiny of the records showed that for 2012-13, a consolidated project proposal covering road length of 1979.33 km and 39 bridges was proposed in April 2012 under RIDF XVIII. FD requested (June 2012) the Secretary PWD to submit a project proposal under NABARD for contribution of State share of

[123] (i) Sheron to Behkan Jaimal Singh; (ii) Dubli Gharyala road to Dera Baba Gurdeep Singh, Kartar Singh and Hazara Singh; (iii) Cheema Kot Budha Road to Dera Karnail Singh, Dubli to Dera Thana Singh, Mukhtiar Singh; (iv) Dubli Jour Singh Wala to Dera Baba Labh Singh; and (v) Harike Khalra Sabhraon road to Behkan Gurbachan Singh.

[124] (i) Lauka Jawandha road to Behkan Harbans Singh Nirvail Singh, Jant Singh, Swinder Singh; (ii) Patti Pringri road to Harike Khalra road; (iii) Patti Tarn Taran, Sakhira Jandoke road to Missing link Jandoke (Phrini of village Jandoke); (iv) Harike Tarn Taran road to Gurdwara Baba Ram Singh in village Sirhali; and (v) Phirni of village Sakhira.

₹ 50 crore in a World Bank Project for upgradation of roads. Accordingly, the Project Director, Punjab State Road Sector Project prepared (July 2012) a project proposal for "Sangrur-Mansa-Bathinda" Road. The FD submitted (August 2012) the project proposal of ₹ 200 crore[125] to NABARD which was returned by NABARD (September 2012) with the suggestion to resubmit the project after excluding the three[126] out of six stretches of the road being State Highways (SHs) and hence were not to be covered under NABARD. The Department did not find it feasible to segregate the expenditure on SHs and non-SHs stretches of the road which were to be executed on a lump sum contract over a period of 10 years whereas RIDF funding was only for the project of three to five years duration. Thereafter, a project of ₹ 70.05 crore was submitted (January 2013) to NABARD whose consultants technically inspected (March 2013) the roads and the project was reframed raising its cost to ₹ 85 crore for 452.42 km of length of 102 roads. Project was sanctioned by NABARD (August 2013) as RIDF-XIX[127] for ₹ 85 crore. Further, cost of the project increased (May 2014) from ₹ 85 crore to ₹ 97.12 crore i.e. by ₹ 12.12 crore due to revision of rates (₹ 8.97 crore) and change in design (₹ 3.15 crore) which clearly indicates preparation of project on unrealistic basis.

Thus, submission of ineligible project for funding of State share in a World Bank aided project from NABARD not only delayed the sanction of an available eligible project but also resulted into cost overrun of ₹ 14.95 crore which was likely to further increase to ₹ 27.07 crore.

In the exit conference, PWD while admitting the above facts attributed increase in cost to increase in market rates due to which, sanctioned premium on common schedule rates had to be revised (December 2013) before inviting tenders for the works. It was further stated that RIDF–XIX could not be completed due to late receipt of funds from the FD. The reply confirms audit observation that period from July 2012 to December 2013 was lost in submission of an ineligible project which led to increase in the cost of the eligible project and as such the available resources could not be utilized optimally.

2.5.8.6 Irregular allotment of work without calling tender

Rule 2.67 of the Punjab PWD Code provides that the works should always be allotted after inviting tenders in the most open and public manner by advertisement in the Government Gazette or newspapers after the estimates of the works have been technically sanctioned. The GOP, PWD reiterated (August 2011) the various instructions of PWD code which included that no

[125] ₹ 150 crore from World Bank and ₹ 50 crore from State proposed to be met from RIDF-XVIII.

[126] (i) Bhawanigarh-Sunam-Bhikhi SH 13 Intersection – Kotshamir: (SH 12A); (ii) Barnala – Mansa: (SH 13); and (iii) Bathinda – Kotshamir – Talwandi Sabo – Ramtirth Jaga: (SH 17).

[127] "Raising/strengthening and widening of 101 (one road was not proposed in revised estimate) rural roads" (451.58 km of road length).

change in scope of the work which involved a major increase in the cost was to be allowed after award of the tender.

Audit scrutiny showed that for construction of five new link roads (Group No.-X) in blocks Patti, Valtoha and Naushera Pannuan under RIDF-XVI (i), the EE, Construction Division No.1, PWD (B&R), Amritsar recommended (16 June 2011) to the SE, the approval of a tender for ₹ 3.76 crore (0.55 *per cent* below Detailed Notice Inviting Tender (DNIT) as recommended by the Tender Processing Committee (TPC). The SE further submitted (16 June 2011) the case to the CE who ordered (24 June 2011) the former to send a copy of the proceedings of TPC and to give clear recommendations. The observations of the CE were intimated (27 June 2011) by the SE to the EE who did not send the same till expiry of validity of tenders i.e. 20 July 2011. Immediately thereafter, the EE on the plea that the contractor had refused to extend validity of his tender and for early completion of the work recommended (21 July 2011) to the SE for allotment of work to another contractor[128] who was already executing NABARD works by enhancing amount of his earlier agreement from ₹ 4.74 crore to ₹ 8.46 crore. On the same day, the SE forwarded the recommendation to the CE who approved (27 July 2011) the case of enhancement of work from ₹ 4.74 crore to ₹ 8.46 crore with time extension of four month.

The SE, on proposal of EE, forwarded (May 2013) the case for further enhancement of agreement of the contractor from ₹ 8.46 crore to ₹ 12.68 crore by allotting nine balance works of Group 2 (five works) and Group 8 (four works) which were not completed within the stipulated time and after terminating the contracts, with further extension of time by six months. Further, on recommendations (July 2013) of the EE, the CE once again enhanced (July 2013) agreement amount of the contractor from ₹ 12.68 crore to ₹ 15.17 crore by allotting five more roads which were not originally approved by NABARD (as discussed earlier in paragraph 2.5.8.4) and even without technical sanctions which were accorded in August 2013. Moreover, the original works on the basis of pace of execution of which, the additional works were allotted to the contractor were delayed by 288 to 329 days, and all the subsequent works (except the last enhancement) were also delayed by period ranging between 258 and 869 days.

Thus, the initial enhancement of work took only seven days for finalisation whereas the EE and the SE, without any cogent reasons, could not send already approved proceedings of TPC against a tender invited as per rules. Moreover, allotment of works without competitive tendering and by enhancing the amount of the existing agreement of a contractor from ₹ 4.74 crore to ₹ 15.17 crore (220 *per cent)* during July 2011 to July 2013 was in violation of the codal provisions and was an undue favour to a particular contractor.

In the exit conference, PWD while admitting the above facts stated that enhancement of the work was done to save time and for giving facility to the public. The reply was not acceptable as the works can only be allotted by open

[128] Who was allotted (23 May 2011) the work of construction of four new link roads (Group No.1) in block Patti, Valtoha and Naushera Pannuan for ₹ 4.74 crore with a time limit of five months i.e. upto 22 October 2011 under NABARD XVI (i).

and fair tendering process and as regard the plea of saving time and giving facility to the public it was not convincing as the works had been delayed by 288 to 329 days and all the subsequent works (except the last enhancement) were also delayed by period ranging between 258 and 869 days.

2.5.8.7 Allotment of works on single tender

The Ministry of Shipping, Road Transport and Highways, GOI apprised (April 2008) the State PWDs that as per Central Vigilance Commission (CVC) guidelines, single tenders can be accepted only with detailed justification in support of the acceptance with the approval of the competent authority. In general, single tenders are not acceptable in the first instance and the same may be accepted in second or subsequent invitation.

During 2010-15, 92 works were allotted on the basis of single tender. Of these, 23 works having DNIT cost of ₹ 17.36 crore were allotted by seven PWD divisions at a cost of ₹ 18.49 crore on the basis of single bids without recording any justification, which was higher by ₹ 1.13 crore ranging between 1.73 and 11.26 *per cent* in contravention of the CVC guidelines. This deprived the State of benefits of competitive tendering.

In the exit conference, both the departments stated that NABARD does not have any guidelines for not accepting single tenders. Moreover, single tender can be accepted with permission of competent authority as per CVC guidelines. The reasons for single tenders were due to different nature of works, difficult area of work, geographical reasons**,** etc. Further, PWD stated that due to market forces sometimes not even a single tender was received. In case of single tender being below sanctioned rates, the same was accepted. The reply was not acceptable as allotment of works on single tender was accepted by the Department in violation of instructions *ibid*.

2.5.8.8 Non-observance of rules relating to technical sanction

Audit observed that in violation of Para 2.89 of Punjab PWD Code:

(i) Technical sanctions were not obtained in 16 (PWD) and 72 (PMB) works as of April 2015 on which expenditure of ₹ 76.11 crore and ₹ 35.09 crore respectively was incurred.

(ii) Technical sanctions in 160 (PWD) and 36 (PMB) works were obtained with a delay ranging between 04 and 1297 days and 100 and 437 days after allotment of the works having a total project cost of ₹ 364.72 crore and ₹ 44.51 crore respectively.

(iii) Revised technical sanctions were not obtained as required under Rule 6.43 of PWD Manual of orders for 13 works (PWD-08 and PMB-05) as expenditure of ₹ 41.20 crore was incurred against technical sanctions of ₹ 34.83 crore (which ranged between 06 and 40 *per cent* for individual works).

In the exit conference, both the departments admitted the facts and assured to take care in future.

2.5.8.9 Non-utilization of fly ash on embankments

The Ministry of Environment and Forests (MoEF) laid down (August 2008) that no agency within a radius of 100 km of a thermal plant undertake construction or approve design for construction of roads without using fly ash. Any deviation from this direction can only be agreed to on technical reasons if the same is approved by the CE (Design) or Engineer-in-Chief or on production of certificate of "Pond ash not available" from the thermal power plants located within 100 km of the site of construction.

In five[129] test checked divisions, ₹ nine crore were incurred (2010-15) on earthwork on embankments of 147 road works instead of utilizing fly ash available free of cost at the thermal plants[130] within a radius of 100 kms of these divisions.

In the exit conference, PWD stated that earth filling was easily available within distance of 1 to 3 kms whereas fly ash was available at 45 or 55 kms from Gidderbaha and Sri Muktsar Sahib whereas it was available beyond 100 Kms from site of work in Sangrur. The reply was not acceptable as fly ash is to be utilised within a radius of 100 km of a thermal power plant and all the three divisions are within 100 Km. The CE (PMB) stated that the fly ash was not used for environment aspect as it is hazardous to health of village people. It is not useful for link roads. Tibba earth which was spare and free is used. The reply was not acceptable in view of above notification of MoEF.

2.5.8.10 Extra expenditure on excess tack coat

As per table 8.10 of Rural Road Manual, the recommended quantity of tack coat on rural roads was specified as 2.5 kg per 10 sqm.

In 32 works executed by three test-checked divisions, quantity of tack coat was taken as 4 kg per 10 sqm instead of 2.5 kg per 10 sqm and the works were executed accordingly. This resulted into extra expenditure of ₹ 0.78 crore[131] on account of excess tack coat.

In the exit conference, PWD stated that with emulsion tack coat quantity of 2.5 kg per 10 sqm needs 24 hours stand still site which was not possible as traffic on these roads was plying 24 hours and the works were executed as per the latest prevailing norms and accordingly the estimates were sanctioned by the competent authority. Whereas, CE (PMB) stated that Rural Road Manual is not applicable in case of NABARD works. The replies were not acceptable

[129] EEs, (i) CD, Sri Muktsar Sahib (4 works - ₹ 0.69 crore); (ii) CD, Gidderbaha (9 works - ₹ 0.72 crore); (iii) PD, Sangrur (15 works - ₹ 4.84 crore); (iv) PMB, Sri Muktsar Sahib (116 works - ₹ 2.66 crore); and (v) PMB, Sangrur (3 works - ₹ 0.08 crore).

[130] (i) The Guru Nanak Dev Thermal Plant at Bathinda; and (ii) The Guru Hargobind Thermal Power Plant at Lehra Mohabbat (Bathinda).

[131] EEs, (i) PD, Sangrur (18 works: ₹ 0.45 crore); (ii) CD, Sri Muktsar Sahib (10 works: ₹ 0.27 crore); and (iii) PMB, Sangrur (4 works: ₹ 0.06 crore).

as in violation of the codal provisions for specified quantity of 2.5 kg per 10 sqm was not adhered to and both the departments did not supply the required documents in spite of being asked repeatedly(January 2016).

2.5.8.11 Preparation of unrealistic estimates

Rule 2.5 of the Punjab Public Works Code provides that while according administrative/technical approval to a work, it should be ensured that the preliminary estimate is sufficiently correct for the purpose. As per Para 6.1 of the PWD Manual of Orders, a detailed estimate is prepared on the basis of detailed design and drawings and by working out quantities in detail based on which technical sanction (TS) is accorded.

The tenders for work “Construction of High Level Bridge over Patti Drain Crossing Link Road Kairon to Nandpur including approaches and protection work” in district Tarn Taran were invited (May 2011), opened (14 June 2011) and technically sanctioned in November 2011 i.e. after six months of inviting the tenders. However, the agency with lowest rates of ₹ 1.70 crore was not awarded the work. The EE, inspected (September 2011) the bridge and intimated the SE that layout of the bridge was not proper due to immediate 90 degree bend and after resurveying the site, a skew bridge with angle of skew equal to 59 degree was proposed resulting into increase in its length from 52.20 to 86.72 meter which was approved (December 2011) by the CE for ₹ two crore. After re-tendering (November 2011), the work was allotted (December 2011) and completed (September 2012) for ₹ two crore. Changes in scope due to consequent resurvey of the site after inviting tenders indicated that the original estimate was not prepared on the basis of proper survey.

In the exit conference, PWD stated that site was resurveyed in view of the public demand for increasing the length of the bridge and future requirement. The reply was not acceptable as tenders should have been called after obtaining the technical sanction (November 2011) keeping in view the future requirements while framing initial estimate.

2.5.8.12 Violation of agreement clauses/Undue favour to the contractor

The following cases of undue favour to contractors were noticed:

(i) Two test checked divisions[132] paid (September 2014 to April 2015) ₹ 0.44 crore as secured advance for four works on perishable material which was not admissible as per clause 47 and 47 (d) of the agreement, thereby extending undue financial benefit to the contractors.

In the exit conference, PWD stated that the secured advance was either paid on non-perishable items or had been/were being recovered from the contractor. The reply was not acceptable as secured advance had been paid for bitumen and sand which are perishable items. The CE (PMB) admitted the facts and

[132] EEs, (i) CD, Malerkotla (one work: ₹ 0.11 crore); and (ii) PMB, Tarn Taran (three works: ₹ 0.33 crore).

stated that all the field offices had been advised to strictly adhere to codal provisions in future.

(ii) For the work of Malout-Abohar Road to village Kabbarwala Burj Sindhwan Kolianwal Arniwal up to Abul Khurana Road allotted on 20 October 2010, the EE, CD, Sri Muktsar Sahib paid ₹ 10.41 lakh on account of price escalation on bitumen. However, dates of invoices in support of purchase of bitumen by the contractor did not tally with the dates of invoices mentioned in the calculation sheet attached with the bill.

In the exit conference, PWD stated that bitumen was purchased by the contractor earlier but escalation for the bitumen was calculated on the basis of rates of Panipat refinery on which work was done, which were lower than the rates on the invoices. Thus, the escalation so calculated for such invoices came on lesser side and by doing this, Department saved much amount than if it would have recovered as per the date of purchase of bitumen by the contractor. Moreover, there is no mismatch in the invoices on record and the invoice numbers/quantities used for calculation. The reply was not acceptable as per the records produced to audit the dates on invoices does not tally with calculation sheet.

(iii) Out of 324 works allotted at a cost of ₹ 426.66 crore by 19 test checked divisions, neither the contractual agencies provided insurance cover in 323 works nor recovery of ₹ 5.12 crore[133] of the premium was made by the EEs from the contractors' bills (as required under clause 15 of the agreements). Further, non-prescribing the deductibles from the contractors' bills in case of non-provision of insurance cover resulted into execution of ambiguous agreements and undue favour to the contractors.

In the exit conference, both the departments stated that the amount deductible from the contractors' bills was nowhere mentioned and assured to take care in future.

(iv) (a) As per the agreements, the contractors were required to furnish Bank Guarantee (BG) equal to five *per cent* of the contract value within 21 days of the allotment of work valid up to 28 days after the expiry of the defect liability period. The BG amounting to ₹ 3.67 crore were not obtained in 46 works allotted by 11 test checked divisions at a cost of ₹ 73.30 crore. In three works executed by three test checked divisions, against BGs of ₹ 57.38 lakh, BGs of ₹ 44.10 lakh only were obtained leaving shortfall of ₹ 13.28 lakh. In 24 works executed by eight test checked divisions, BGs valuing ₹ 1.19 crore were not got revalidated up to the end of defect liability period resulting into undue benefit to the contractor.

In the exit conference, CE (PMB) stated to comply with the audit observation in future. The PWD stated that in two works BG had been deducted from contactors payment, BGs in nine works have been received now, in six works BGs would be deducted, in seven works BGs were not obtained, in five works BGs could not be deducted as works stand completed, in two works no reply

[133] By taking the rates of deductibles prescribed in agreements under PMGSY.

was submitted and in 10 works BGs had been obtained but no supporting document was provided by the department.

Thus, non-obtaining of BGs within 21 days of the allotment of work clearly showed non-compliance of clauses of the agreement.

(b) The EE, CD 1, Amritsar prematurely released BG of ₹ 25 lakh on 21 February 2013 whereas the defect liability period of the work[134] was up to 31 March 2016 and accordingly, the BG was to be released on 29 April 2016.

In the exit conference, PWD stated that BG had been revalidated up to 24 June 2014. The reply was not acceptable as BG was required to be revalidated up to defect liability period i.e. on 29 April 2016.

2.5.9 Internal control mechanism

2.5.9.1 Internal controls

It was noticed that internal control system in the Department was weak in as much as various rules relating to planning, funding and execution were not observed. The Department kept violating various important instructions, such as inadequate surveys before preparation of projects leading to inflated projects, irregular utilization of savings, non/short-release of funds at various levels, allotment of works in violation of the provisions/instructions, start of works without technical sanction and non-adherence to contractual conditions, etc.

2.5.9.2 Monitoring

As per NABARD guidelines, a strong monitoring system is necessary to ensure not only timely completion of the projects but also to see that the objectives of projects are achieved and projects are monitored regularly. The monitoring system was found inadequate as discussed below:

(i) To review/monitor implementation of the ongoing projects, a High Power Committee (HPC) was constituted at the Government level, which was required to meet once a quarter or earlier, if needed. However, during 2010-15, HPC met only seven times against the requirement of at least 20 meetings thereby leaving an overall shortage of 13 meetings (65 *per cent*). Year wise shortfall in quarterly meetings ranged between 25 and 100 *per cent* during 2010-15.

It was further noticed that the advice (16 June 2014) of the Chief Secretary to conduct monthly meetings at the level of Principal Secretary of the respective departments as well as the district level review meetings for effective monitoring and review of projects was not followed leaving the projects unmonitored.

[134] Raising, widening and strengthening of Naushera Pannuan to Fatehabad Sirhali Chohla Sahib Road via Kalwan Bhathal Bhaike Dera Sahib in district Tarn Taran.

In the exit conference, PWD stated that the physical progress was reviewed by the higher authorities i.e. by Secretary, Public Works, CE and SEs. The field visits had been made by the Junior Engineers, Sub-Divisional Engineers and Executive Engineers. Further, desk monitoring by Assistant Chief Secretaries, PWD, CE, SE, DC was done by conducting monthly review meetings. The reply was not acceptable as required number of meetings were not conducted as per NABARD guidelines.

(ii) As per NABARD guidelines, Project Completion Reports (PCR) should be submitted by the implementing department to NABARD within one month of the completion of the project in all respect.

Out of 207 works under RIDF-XVI, XVI (i), XVI (ii), XVII and XIX, 140 works were completed till 31 March 2015 but PCRs were submitted only for 77 works. Of these, PCRs of 76 works (almost 100 *per cent*) were submitted with delay ranging between 57 and 1060 days. PCRs of 55 works had not yet been submitted even after lapse of 91 to 1340 days after due date (one month after completion of the work). The PCRs of remaining eight works were not due as on 31 March 2015.

In the exit conference, PWD admitted the facts and stated that due to non-release/ short release and further non-passing of bills by the treasury, these works were not closed financially and after receiving funds from the FD, payments would be released and accordingly PCRs would be submitted to NABARD. Final outcome was awaited (December 2015).

Conclusions

Planning of the projects was found deficient as instances of overlapping of the roads being proposed under NABARD with other schemes were noticed. Projects were not prepared with due diligence as we noticed instances of submission of ineligible project leading to cost overrun of the eligible project, preparation of unrealistic project estimates leading to huge savings which were utilised on unapproved and ineligible works. Proper financial management was lacking as despite receipt of funds from NABARD, the State Government short released the same and even the funds released by the State Government were released with delay to the executing agencies. This coupled with non-release of funds by the treasuries and diversion of the project funds led to inadequate flow of funds which in turn led to non/delayed completion of the works and avoidable creation of liability. Interest earned on the project funds was not credited to the Government account.

Implementation of the projects was also found deficient as almost all the works were delayed beyond stipulated dates of completion. Instances of allotment of works in violation of the laid down procedure/instructions, viz. allotment of works without calling tender and allotment of works without technical sanctions were noticed. Deviations from the laid down specifications and extending undue favour to the contractors due to non-adherence to the contractual conditions were noticed. Internal control system was also found deficient.

Recommendations

The State Government may:

(i) put in place a mechanism to prevent overlapping of works to optimally utilise different available funding sources;

(ii) strengthen financial management system to avoid delay in release of funds at various levels for achieving timely completion of the works;

(iii) ensure compliance of the various codal provisions relating to preparation of projects and implementation thereof; and

(iv) establish an effective internal control mechanism to prevent violation of instructions.

The matter was referred to Government in August 2015; reply (except for PWD, B&R portion) was awaited (January 2016).

WATER SUPPLY AND SANITATION DEPARTMENT

2.6 Implementation of National Rural Drinking Water Programme in Punjab

Government of India (GOI) launched (2009) the National Rural Drinking Water Programme (NRDWP) with the objective of providing rural population with adequate safe water for drinking, cooking and other basic domestic needs on a sustainable basis.

Some of the significant findings of the performance audit are given below:

- ***State Level Scheme Sanctioning Committee met only twice during 2010-15 against the requirement of 10 meetings. NRDWP was implemented without preparation of five-year rolling plan and village and district water security plans.***

(Paragraph 2.6.6.1)

- ***The GOI imposed a cut of ₹17.10 crore due to excess expenditure on O&M component and delay in submission of annual action plans. The Department diverted ₹2.30 crore to the works not covered under NRDWP.***

(Paragraphs 2.6.7.3 and 2.6.7.5)

- ***There was shortfall in achieving the targets under coverage component ranging between 18 and 64 per cent. 45 schemes were completed with the delay ranging between 24 and 889 days.***

(Paragraphs 2.6.8.1(i) and 2.6.8.2)

- ***Non-functioning of 15 completed water supply schemes and three Reverse Osmosis Plants, due to non-payment of electricity bills, rendered the expenditure of ₹ 5.05 crore ungainful.***

(Paragraph 2.6.8.3)

- ***The State Government did not conduct any study to evaluate the implementation of the programme. The Integrated Management Information System, the chief mechanism for monitoring the programme, was unreliable.***

(Paragraphs 2.6.9.1 and 2.6.9.3)

2.6.1 Introduction

Government of India (GOI) launched a Centrally sponsored Accelerated Rural Water Supply Programme (ARWSP) in 1972-73 to ensure adequate drinking water supply to the rural community. The ARWSP was modified in 2009 as the NRDWP with major emphasis on ensuring sustainability of water availability in terms of potability, adequacy, convenience, affordability and equity, while adopting decentralized approach involving Panchayati Raj Institutions (PRIs) and community organizations. In Punjab, the main source of water is canal water and ground water sources from deep aquifers from tube-well based schemes. There are 12267 villages comprising of 14111[135] habitations[136] out of which, 1595 habitations had not been covered (March 2010). As of February 2015[137], 157 out of 15333 habitations[138] yet to be covered. The prime objective of NRDWP is to provide every rural person with adequate and safe water for drinking, cooking and other basic domestic needs on a sustainable basis with 70 Litres per capita per day (lpcd) by 2022. There are five components of NRDWP i.e. (i) Coverage; (ii) Water Quality; (iii)Operation and Maintenance (with funding pattern GOI and GOP 50:50); (iv) Sustainability; and (v) Support Activities and Water Quality Monitoring and Surveillance (both 100 *per cent* funded by GOI).

2.6.2 Organisational set up

The NRDWP is implemented in the State under the overall guidance of the State Water and Sanitation Mission (SWSM) constituted in August 2009. Under SWSM, Apex Committee (AC) headed by the Chief Secretary, GOP and the Principal Secretary, Department of Water Supply and Sanitation (DWSS) as co-chairman was constituted. A State Level Scheme Sanctioning Committee (SLSSC), headed by Principal Secretary, DWSS, was formed (August 2009) to accord approval to Annual Action Plan of the State. At the district level, District Water and Sanitation Missions (DWSM) headed by Chairman of Zila Parishads (ZPs) with Executive Engineers (EEs) of DWSS as members were constituted. The DWSM is responsible for formulation, management and monitoring of projects and progress in achieving drinking water security. Further, the Village Water and Sanitation Committees (VWSCs)/Gram Panchayat Water and Sanitation Committees (GPWSCs) were set up in each village/Gram Panchayat (GP) for planning, monitoring, implementation and O&M of the Water Supply Schemes.

2.6.3 Audit objectives

The audit objectives were to assess whether:

- an institutional mechanism existed to plan and ensure effective implementation of the programme on a sustainable basis and in a time bound manner;
- allotment of funds was adequate and fund management was effective;
- the programme was implemented effectively, economically and efficiently; and
- adequate internal control mechanism was in place.

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135 As per survey 2008.
136 It is a term used to define a group of families living in proximity to each other, within a village. It could have either heterogeneous or homogenous demographic pattern.
137 Figures of March 2015 were not available.
138 As per annual plan of the department.

2.6.4 Scope of audit and methodology

The Performance Audit entailed scrutiny of records for the period 2010-15 during October 2014 to June 2015. Out of 22 districts of Punjab, six districts[139] were selected by Probability Proportional to Size with Replacement method for detailed scrutiny. In the six districts, out of 31 blocks, 13 blocks (42 *per cent*) and in the selected blocks, out of 166 GPs in which the programme was implemented, 62 GPs (37 *per cent*) were selected by adopting Simple Random Sampling without Replacement for physical verification and detailed scrutiny. For this purpose, records of Chief Engineer, DWSS (CE), 13 EEs[140], Water Supply and Sanitation Division (WSSD) of the selected districts and Communication and Capacity Development Unit (CCDU), Mohali were scrutinized. An entry and exit conference was held on 16 February and 31 December 2015 respectively with the representative of the Department. Responses received from the department have suitably been incorporated in the review.

Mention was made on 'Drinking Water' in paragraph 4.1 of Report of the Comptroller and Auditor General of India (CAG) for the year ended 31 March 2001 (Civil), Government of Punjab and paragraph 3.1 of CAG's Report for the year ended 31 March 2006 (Civil) on 'Review of Water Supply and Sanitation Department' in which the ARWSP was covered as a part of this review. Paragraph 4.1 was discussed in the Public Accounts Committee (PAC) meeting during February 2008. However, paragraph 3.1 was transferred (December 2011) to the Department for taking action at its own level as directed by PAC. Audit also examined compliance of recommendations of PAC and assurance given by the Department to PAC, wherever applicable.

2.6.5 Audit criteria

The audit findings were bench marked against the criteria derived from the following sources:

- Guidelines of NRDWP;
- Punjab Financial Rules; and
- Instructions issued by the GOI and GOP from time to time.

Audit findings

2.6.6 Planning

2.6.6.1 Improper planning of programme

As per requirement of para 12 read with provisions of Annexure VII of NRDWP guidelines (revised 2013), SWSM along with Apex Committee(AC),

[139] (i) Faridkot; (ii) Hoshiarpur; (iii) Mohali; (iv) Patiala; (v) Rupnagar; and (vi) Sri Muktsar Sahib.

[140] EE, Water Supply and Sanitation Division (i) Faridkot; (ii) No. 1, Hoshiarpur; (iii) No. 2, Hoshiarpur; (iv) Garhshankar; (v) Talwara; (vi) No. 3, Mohali; (vii) No. 1, Patiala; (viii) No. 2, Patiala; (ix) Rajpura; (x) No. 1, Rupnagar; (xi) No. 2, Rupnagar; (xii) No. 1, Sri Muktsar Sahib; and (xiii) Malout.

SLSSC, DWSM, VWSC/GPWSC were constituted (August 2009) for effective planning/implementation of NRDWP. The SWSM was required to hold Annual General Meetings (AGM), AC was to meet quarterly, SLSSC and DWSM-twice in a year. Further, Clauses 13 and 14 of the guidelines provides that VWSC was fully responsible for planning, implementation, management and O&M of rural water supply schemes. For this purpose, Village Water Security Plan (VWSP) was to be prepared. On the basis of VWSP, the District Water Security Plan (DWSP) was to be made, and to give a definite direction to the programme a five year Comprehensive Water Security Plan (CWSP) was also to be prepared by the State. Para 11.3 of guidelines (revised 2013) provide that the State Government may take-up monitoring and evaluation studies on the implementation of rural water supply programme. Audit observed that department had not taken up monitoring and evaluation study on the implementation of the NRDWP ever since its inception. However, audit observed (December 2014 to April 2015) as under:

Though SWSM conducted four AGMs (against five required), no meeting of AC was held, the SLSSC held only two meetings (May 2013 and September 2014) against 10 during 2010-2015. The Governing Body[141] of DWSM held no meetings during 2010-2015. In the meetings of SWSM, the issues related to convergence of NRDWP with Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) were not discussed which resulted in the issues of convergence being left un-addressed, as discussed in paragraph 2.6.8.6.

- Total 166 schemes were to be completed in the selected districts. However these schemes were executed without preparation of VWSP. Further, the five year CWSP was also not prepared ever since the inception of the programme which indicated that the planning lacked a long term perspective.

In the exit conference, the department admitted the facts and stated that the requisite meetings will be held and required VWSP/CWSP will be prepared in future.

2.6.6.2 Non-setting up of Block Resource Centres

According to Annexure VII (6) (2) of the guidelines, the role of Block Panchayats in rural drinking water and sanitation sector needs to be strengthened to provide guidance, support and monitor water supply and sanitation status in the villages. To achieve this objective, Block Resource Centres (BRC) were to be set-up at the block level to provide continuous support in terms of awareness generation, motivation, mobilization, training, preparation of Village Action Plans (VAP) and handholding of VWSC. Further, for proper functioning of BRCs, qualified Block Coordinators (BC) and Cluster Coordinators (CC) were also to be appointed.

Audit observed from the records of EEs of selected districts and CCDU that the BRC was not set-up in any of the selected blocks. Further, though 142 BCs

[141] Chairman of Zila Parishad, Chief Executive Officer of Zila Parishad, All MPs/MLAs of District, Deputy Commissioner and Executive Engineers.

in Punjab were appointed, no CC was appointed. Though the main function of BRCs was to provide training to the members of VWSCs and to help in preparation of VWSP but due to absence of BRCs, community participation remained ignored and VWSCs were unable to prepare the VWSP.

In the exit conference, the Executive Engineer, CCDU stated that 142 Block Coordinators have been appointed and block resource centres under the control of block panchayats were not established due to paucity of funds. Thus, non-setting up of BRCs had resulted into lack of proper feedback from BCs thereby adversely affecting implementation of the scheme as discussed above.

2.6.6.3 Non-preparation of Operation and Maintenance Plan

According to para 9.7 of NRDWP guidelines, States may use the O&M manual prepared by the Ministry of Drinking Water and Sanitation (MDWS) or prepare a State specific O&M Manual to guide systematic O&M. The GOP was following the manual prepared by MDWS.

Audit observed from the records of CE that during 2010-15, an expenditure of ₹ 85.69 crore was incurred on O&M of water supply schemes without any detailed State or District O&M plan, which was violative of the guidelines.

In the exit conference, the department stated that the O&M plan for State and district level was not prepared, however, the O&M plan for every scheme is prepared at division level individually and approved by the competent authority. Reply was not acceptable as the O&M Plan at State level was to be prepared as per provisions of guidelines.

2.6.7 Financial Management

2.6.7.1 Budget allotment and expenditure

Clause 16 and 17 of NRDWP guidelines require SWSM to maintain two accounts, namely, Programme Account and Support Activities Account in any Public Sector Bank at the State Headquarters. Allocation of funds under NRDWP is made by GOI in the beginning of the financial year and credited into accounts opened for the purpose under the control of SWSM and GOP is to match the programme account with funds as per the funding pattern indicated in guidelines. Further, SWSM releases the funds to the districts. The first instalment of 50 *per cent* of the allocation under the Programme Fund is released by GOI if the State has drawn the second instalment of the previous year and the second instalment is released on receipt of specific proposal for the year. The budget allotment and expenditure of programme and support funds[142] for the last five years are shown in **Table 2.6.1 and 2.6.2**.

[142] Programme funds: incurred on coverage, water quality, O&M and sustainability components and Support funds: incurred on support activities and water quality, monitoring and Surveillance.

(i) Programme funds

The Programme funds are meant for the components such as coverage, water quality, O & M and sustainability and these funds are provided in the ratio of 50:50 between GOI and GOP. The position of budget allotment and expenditure there against is given in **Table 2.6.1.**

Table 2.6.1:Budget allotment and expenditure under programme funds

(₹in crore)

Year	OB	Central share (GIA)	State share (GIA)	From other state schemes	Interest	Total (2+3+4+ 5+6)	Expenditure	Closing balance
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
2010-11	3.47	113.10	17.32	41.68	1.12	176.69	140.59	36.10
2011-12	36.10	119.94	11.06	8.97	0.51	176.58	140.79	35.79
2012-13	35.79	136.52	0.47	0.91	1.20	174.89	126.05	49.07[143]
2013-14	49.07	139.37	0.97	2.65	1.95	194.01	162.59	31.19
2014-15	31.19	91.52	3.27	0	0.64	126.62	98.43	28.19
Total		**600.45**	**33.09**	**54.21**	**5.42**		**668.46**	

Source: Departmental data ***GIA: Grants in aid***

The above table shows that an amount of ₹ 54.21 crore was diverted, to execute the works of NRDWP from other state funded programmes[144], which was reflected as liability in the UCs. Out of ₹ 54.21 crore, an amount of ₹39.94 crore (2011-12: ₹ 12.07 crore, 2012-13: ₹ 10.24 crore, 2013-14: ₹ 9.13 crore and 2014-15: ₹ 8.50 crore) was adjusted and balance liability of ₹ 14.27 crore was yet to be cleared (March 2015). However, the physical/financial status of the schemes from where these funds were diverted and the components of NRDWP against which the liability was created/cleared were not on record.

In the exit conference, the department stated that the expenditure was incurred at the divisional level in anticipation that additional grant/funds will be received from GOI. In the audit report prepared by Chartered Accountant, the excess expenditure incurred from other state funded programmes was taken as liability, out of which maximum liability has been cleared. Reply was not acceptable as the expenditure was incurred in excess and the liability was cleared from the additional funds released by the GOI in subsequent years.

(ii) Support funds

The support funds are meant for support activities, water quality, monitoring and surveillance for which 100 *per cent* funds are provided by GOI. The position of budget allotment and expenditure there against is given in **Table 2.6.2.**

143 The difference ₹ 0.23 crore was due to cheques pending, cleared during 2013-14.
144 Other State funded programme- the schemes which are 100 *per cent* State funded.

Table 2.6.2: Budget allotment and expenditure under Support funds

(₹ in crore)

Year	Opening balance	Allocation by GOI	Central share released	Short release (3-4)	Interest	Total (2+4+6)	Expen diture	Closing balance (percentage of savings in bracket)
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
2010-11	7.59	4.11	3.49	0.62	0.25	11.33	5.39	5.94 (52)
2011-12	5.94 +0.14	3.72	2.06	1.66	0.30	8.44	1.58	6.86 (81)
2012-13	6.86	6.17	2.19	3.98	0.39	9.44	2.18	7.26 (77)
2013-14	7.26	5.67	5.25	0.42	0.37	12.88	8.02	4.86 (38)
2014-15	4.86	5.24	2.86	2.38	0.22	7.94	2.59	5.35 (67)
Total		**24.91**	**15.85**	**9.06**				

Source: Departmental data

(a) The above table showed that, during 2010-15, the funds released were not fully utilized. The percentage of savings ranged between 38 and 81 *per cent*. However, Departmental data showed that the targets for support activities were achieved.

(b) Para 17 (i&o) of guidelines (revised 2013) provide that funds under support activities would be released in two instalments and it would be based on submission of activity-wise physical and financial progress and UCs. While releasing the central share, the quantum of unutilized funds[145] would be kept in view. Audit observed that during the year 2010-15, GOI had allocated ₹ 24.91 crore under support activities, out of which only ₹ 15.85 crore were released. The GOP failed to avail remaining grant of ₹ 9.06 crore pertaining to the period 2010-2015.

In the exit conference, the department stated that an unspent amount of ₹ six crore pertaining to Water Quality and Sector Reforms project financed by GOI was taken as opening balance of support activity funds. Due to this, huge savings were depicted in the UCs of the support funds. As per guidelines of GOI, proposal for release of second instalment could only be submitted after utilisation of 60 *per cent* of available funds and due to savings of more than 60 *per cent* the second instalment was not released. The targets were fully achieved as these activities are also carried out under the World Bank project. The reply was not acceptable as the World Bank Project was not implemented in those villages where NRDWP was implemented and the financial targets were not reduced with reference to unspent balances.

(c) As per clause 16 of guidelines (revised 2013), SWSM shall select a bank branch of any public sector bank with internet connectivity at the State Headquarters for maintaining two accounts namely Programme Account and Support Activities Account and the GOI shall release the funds into these accounts for further release to the implementing units by SWSM.

Audit observed from the records of CE that GOI released (June 2014 to March 2015) ₹ 97.38 crore (Programme Funds-₹ 91.52 crore and Support Funds- ₹ 5.86 crore) to the SWSM. However, the funds were deposited into

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[145] Carry over funds in the next financial year will be allowed to the extent of 10 *per cent* of the total amount released.

Government account. It was also observed that during 2014-15, bills aggregating ₹ 20.22 crore (21 *per cent*) were not cleared by the treasuries. In the selected districts, against the bills of ₹ 28.38 crore, bills amounting to ₹ 9.03 crore (32 *per cent*) were not cleared by the treasuries. Thus, crediting of funds into the Government account was in contravention of guidelines as these funds could not be utilized on activities related to NRDWP.

In the exit conference, the department stated that the funds were transferred into Government account after receiving the direction of Finance Department of the State. However, no reply was furnished by Finance Department (December 2015).

2.6.7.2 Short-release of State share

As per clause 16.5 of guidelines (revised 2013), GOP shall match the Programme Account with the funds as per the funding pattern given in the guidelines. The component wise position of fund released by GOI and GOP were as shown in **Table 2.6.3**.

Table 2.6.3:Component-wise detail of releases/short release of state share

(₹ in crore)

Year	Release by GOI	Component	Funding pattern in percentage	Funds released component wise	State Share required	State Share released	Short release by state
2010-11	113.10	Coverage	45	50.90	50.90	0.00	50.90
		Water quality	20	22.62	22.62	7.00	15.62
		O&M	10	11.31	11.31	10.32	0.99
2011-12	119.94	Coverage	45	53.97	53.97	11.06	42.91
		Water quality	20	23.99	23.99	0.00	23.99
		O&M	10	11.99	11.99	0.00	11.99
2012-13	136.52	Coverage	47	64.16	64.16	0.47	63.69
		Water quality	20	27.30	27.30	0.00	27.30
		O&M	15	20.48	20.48	0.00	20.48
2013-14	139.37	Coverage	47	65.50	65.50	0.97	64.53
		Water quality	20	27.87	27.87	0.00	27.87
		O&M	15	20.90	20.90	0.00	20.90
2014-15	91.52	Coverage	47	43.01	43.01	3.27	39.74
		Water quality	20	18.30	18.30	0.00	18.30
		O&M	15	13.73	13.73	0.00	13.73
Total				**476.03**	**476.03**	**33.09**	**442.94**

Source: Departmental data

The above table shows that during the period 2010-15, ₹ 476.03 crore were released by GOI for different components. However, GOP had released only ₹ 33.09 crore under these components against the requirement of ₹ 476.03 crore which resulted into short-release of state share amounting to ₹ 442.94 crore which further resulted in non-achievement of targets as discussed in the Para No. 2.6.8.1.

In the exit conference, the department stated that the expenditure incurred by the State in water sector is treated as State Share and was more than the required state share. Reply was not acceptable as due state share should be released for the NRDWP and the expenditure incurred on water sector could not be treated as Stare share. Mention was also made in Paragraph No.4.1.4.2 of CAG's Report (Civil) for the year ended 31 March 2001 regarding non-release of funds by the Finance Department. The PAC had recommended that State Government must honour its commitments in such cases. Despite PAC recommendations this practice persisted during the period of Performance Audit.

2.6.7.3 Imposing of cut in grants by Government of India

Audit observed from the records of CE and EE, CCDU that GOI had imposed cuts of ₹ 16.26 crore (during 2011-15), from the programme funds due to excess expenditure on O&M component over the prescribed limit and ₹ 0.84 crore (during 2010-15) from the support funds on account of late submission of proposals with the delay ranging between 60 and 129 days to the GOI against the provisions of 17(i) & (h) of NRDWP guidelines.

The department stated in exit conference that the amount of cut was adjusted with the additional grants released subsequently by the GOI. However, the matter has been taken up with the GOI. The reply was not acceptable because the additional funds were released during 2010-15 for various components and not for compensating the cut. Imposition of cut not only affected the achievement of targets but also led to lapse of Central grant of ₹ 17.10 crore (₹16.26 crore under programme funds and ₹ 0.84 crore under support funds), whereas the Department had taken-up (January 2015) the matter with GOI only for ₹ 3.52 crore for which no reasons were given by the department.

2.6.7.4 Submission of incorrect Utilisation Certificate

As per Annexure X of guidelines, UCs to be submitted to GOI should include all unspent balances for revalidating the same for next year.

Audit observed from the records of two divisions[146] that ₹ 1.92 crore were transferred to the sub-divisions in March 2010 to show "Nil" balance in the cash book of programme fund, which resulted into mis-statement of financial position of the programme and UC, while the amount was physically available with the sub-divisions. Further, out of interest of ₹ 5.25 lakh earned on programme fund, only ₹ 3.72 lakh was taken in the UC by EE, WSSD No. 2, Patiala. In the exit conference, the department stated that the issue was sorted out and updated UCs were received from field offices for further submission to GOI. However, neither correct UCs from field offices nor any reply regarding non-accounting of interest in UCs was furnished (January 2016).

[146] (i) Water Supply and Sanitation Division No 1, Patiala : ₹ 0.70 crore; and (ii) No. 2, Patiala : ₹ 1.22 crore.

2.6.7.5 Diversion of funds

As per para 17 (t) of guidelines, funds provided under NRDWP are to be used to meet the expenditure on approved schemes and O&M as prescribed under the guidelines. In two out of six selected districts, the funds were diverted for other purposes as detailed in **Table 2.6.4** which were not covered under NRDWP.

Table 2.6.4: Diversion of funds

(₹ in crore)

Sr. No.	Name of Division	Name of work	Amount diverted
1.	WSSD No. 2, Patiala	Small bore sewerage scheme	1.86
2.	WSSD No. 1, Patiala	NABARD, drilling of tubewell and maintenance of Govt. buildings.	0.33
3.	WSSD, Rajpura (District-Patiala)	Payment to advocates	0.09
4.	CCDU, Mohali	World Bank project	0.02
Total			**2.30**

Source: Departmental data

In the exit conference, the department stated that the issue regarding diversion of funds has been sorted out. All the funds diverted earlier have been re-appropriated. In case of CCDU and Rajpura Division, the earlier diverted funds for other programmes will be re-appropriated shortly. However, on verification by the audit from the divisions (February 2016) it was found that the funds were yet not re-appropriated.

2.6.7.6 Late submission of audit reports

As per clause 18.1 of guidelines, the SWSM is to ensure that the accounts are audited by a Chartered Accountant within six months of the close of the financial year.

Audit observed from the records of CE that during the period 2010-11 to 2014-15 the audit reports of Chartered Accountant were submitted to GOI with delay ranging between 14 and 89 days and only the report for the year 2012-13 was submitted within the prescribed time schedule. Thus, late submission of audit reports was against the guidelines.

In the exit conference, the department stated that reports are being submitted with the proposal of second instalments, Utilisation Certificate with the 60 *per cent* of funds utilized. Reply was not acceptable as the proposal of second instalment was to be submitted up to 31 December, however, the reports along with UCs were to be submitted up to 30 September.

2.6.8 Implementation

2.6.8.1 Targets and achievements

As per annual plans submitted by SWSM to GOI during 2010-15, the targets were fixed for all the programmes being implemented in the State. No separate targets were fixed for NRDWP. The targets, achievement, objectives and funding pattern for coverage, sustainability and O&M[147] components of the programmes were as under:

(i) Coverage

The objective of the component was to provide safe and adequate drinking water, supply to unserved, partially served and slipped-back habitations, potable drinking water to quality affected habitations and to meet the expenditure on running, repair and replacement costs of drinking water supply projects. The funds under the component are provided in the ratio of 50:50 by GOI and GOP. During 2010-15, an expenditure of ₹ 439.21 crore was incurred under the Coverage component to provide safe and adequate drinking water supply to unserved, partially served and slipped-back habitations, potable drinking water to quality affected habitations and to meet expenditure on running, repair and replacement costs of drinking water supply projects.

The status of total habitations in the State as well as in the test-checked districts, habitations covered against the targets fixed were as shown in **Tables 2.6.5 and 2.6.6.**

Table 2.6.5: Habitations targeted and covered in State during 2010-15

Year	Target	Achievement	Shortfall (Percentage)
1	**2**	**3**	**4**
2010-11	2023	1658	365(18)
2011-12	1630	643	987(61)
2012-13	1473	617	856(58)
2013-14	1939	1227	712(37)
2014-15	1850	671	1179(64)

Source: Annual action plans, Utilization Certificate and IMIS reports

Table 2.6.6 : Habitations targeted and covered in selected districts during 2010-15

Year	Target	Achievement	Shortfall (Percentage)
2010-11	530	496	34 (6)
2011-12	390	209	181 (46)
2012-13	403	252	151 (37)
2013-14	363	337	26 (7)
2014-15	193	132	61 (31)

Source: Annual action plans and IMIS

The data in the above table revealed the following:

- During 2010-15, the shortfall in achievement of targets for Coverage in the State ranged between 18 and 64 *per cent* while in the six test-checked districts it was between 6 and 46 *per cent*.

(ii) Sustainability

The objective of the component was to encourage the States to achieve drinking water security at the local level for which 100 *per cent* funds are provided by GOI.

[147] The targets for O&M were not fixed as no plan for this component was prepared as discussed in para 2.6.6.3.

During 2010-15, funds of ₹50.53 crore were spent under the sustainability component (which includes renovation of ponds, rain water harvesting, recharging of dug well, etc), a 100 *per cent* centrally sponsored component. The year wise targets and achievements there against are as shown in **Table 2.6.7**.

Table 2.6.7: Targets and achievements under sustainability component during 2010-15

Year	Targets	Achievements	Expenditure (₹ in crore)	Shortfall (in percentage)
1	2	3	4	5
2010-11	586	181	11.57	69
2011-12	780	185	10.88	76
2012-13	399	55	12.84	86
2013-14	1025	75	5.40	93
2014-15	250	101	9.84	60
Total	**3040**	**597**	**50.53**	

Source: Departmental data

During 2010-15, the shortfall in achievement of targets for construction of sustainability component in the State ranged between 60 and 93 *per cent*.

In the exit conference, the department stated that the targets were not achieved due to shortage of funds and manpower.

2.6.8.2 Implementation of programme

In State 2345 schemes (piped water supply scheme/installation of tubewell/ distribution system) were to be completed during 2010-2015. In the selected districts/blocks, 166 water supply schemes were to be completed at a cost of ₹ 59.97 crore under NRDWP. Out of 166 schemes, four schemes[148] were dropped from this programme as these were completed under the World Bank project. The district wise position of implementation of the schemes was as shown in **Table 2.6.8.**

Table 2.6.8: Implementation of programme

Sr. No.	Name of district	Schemes to be completed	Schemes completed in time	Amount involved (₹ in crore)	Work in progress	Schemes completed with delay	Non-functional schemes	Schemes dropped
1	2	3	4	5	6	7	8	9
1.	Faridkot	11	3	1.73	5	1	-	2
2.	Hoshiarpur	38	16	8.47	2	19	-	1
3.	Patiala	25	22	4.52	0	0	3	
4.	Rup Nagar	53	28	8.89	3	21	-	1
5.	Sri Muktsar Sahib	10	4	2.17	4	2	-	.
6.	S.A.S Nagar	29	27	6.73	0	2	-	-
	Total	**166**	**100**	**32.51**	**14**	**45**	**3**	**4**

Source: Departmental data

The table showed that only 100 schemes were completed at a cost of ₹ 32.51 crore within time schedule, 45 schemes were completed with a delay ranging

[148] (i) Dhilwan Kalan;(ii) Madhak; (iii) Khanpur; and (iv) Jhalian Kalan.

between 24 and 889 days, 14 schemes were in progress and four schemes were dropped. Three schemes were non-functional due to non-payment of electricity bills as discussed in para 2.6.8.3.

In the exit conference, the department stated that the schemes were completed with delays due to site problem and non-availability of funds. The reply was not acceptable as the availability of site and funds were to be ensured by the department before commencement of work.

2.6.8.3 Ungainful expenditure on non-functional schemes

Para 9.6 of guidelines provides that all water supply schemes within the GP shall be maintained by the gram panchayats.

	
Closed Water Supply scheme Lang, District Patiala (28.1.2015)	**Closed Water Supply scheme Dhantal, District Patiala (1.12.2014)**

Audit observed from the records *of EEs* that in Patiala District three schemes[149] were completed (November 2009, February and October 2010) under NRDWP with an expenditure of ₹ 70.98 lakh. However, during joint visit (December 2014 and March 2015), it was found that these schemes were non-functional with effect from January 2011 to May 2012 due to non-payment of electricity bills by the VWSCs. Further, 12 schemes[150] of three selected districts along with three Reverse Osmosis Plants[151] (RO plants) completed (May 2009 and March 2011) at a cost of ₹ 433.81 lakh under other programme were non-functional with effect from March 2009 to July 2014 due to non-payment of electricity bills and RO plants were non-functional as raw water was to be supplied through these water supply schemes.

Thus, expenditure of ₹ 504.79 lakh on these schemes was ungainful besides causing disruption in supply of potable water to the habitations covered under the schemes.

[149] (i) Badshahpur (May 2012); (ii) Dhanthal (January 2011); and (iii) Lang (November 2011).

[150] (i) Narangwal; (ii) Akaut; (iii) Daun Kalan; (iv) Khaspur; (Patiala district); (v) Khara; (vi) Chandbhan; (vii) Golewala; (viii) Bhana; (ix) Sikhanwala; (x) Ghumiara; (xi) Pakhi Kalan (Faridkot); and (xii) Asha Butter (Sri Muktsar Sahib).

[151] (i) Aman Pura; (ii) Daun Kalan; and (iii) Narangwal (Patiala).

In the exit conference, the department stated that the schemes were handed over to the GPWSC concerned to run the schemes and it is the responsibility of the GPWSC to collect the revenue and bear all the O&M expenses. However, the efforts were being made to run these schemes.

2.6.8.4 Irregular allotment of work to ineligible contractor

The work of providing water supply scheme in village Shamkot (Block Kot-Bhai) was administratively approved (October 2012) for ₹ 268.83 lakh and technically sanctioned (December 2012) for ₹ 258.54 lakh. The tenders were floated for ₹ 247.45 lakh in December 2012. In response two firms submitted their tenders. As per clause 19 (ii) of the bidding documents, bidders were to have work experience of similar civil engineering works during the last three years i.e. one contract of at least 80 *per cent* of the value of the current tendered work or two contracts of 50 *per cent* of the value or three contracts of 40 *per cent* of the current value.

Scrutiny of records maintained in WSSD, Malout showed the L2 bidder quoted rates of ₹ 271.69 lakh while L1 quoted rates of ₹ 264.70 lakh. After evaluation of technical bids, the L1 was found non-responsive due to non-fulfillment of experience criteria. The work was allotted to L2 at a cost of ₹ 260.82 lakh after negotiation. However, audit observed that as per experience certificate of L2, he also did not fulfill the experience criteria as he had executed two works costing ₹ 170.36 lakh (₹ 121.54 lakh and ₹ 48.82 lakh) during 2011-12 which were 49 and 20 *per cent* of the estimated cost of ₹ 247.45 lakh, instead of requirement of 50 *per cent* during the last three years. Thus, allotment of work to an ineligible contractor resulted into undue favour to the contractor. An amount of ₹ 258.24 lakh was paid to the contractor for execution of work.

In the exit conference, the department admitted the facts and stated that the work had been completed and the scheme was running successfully. However, the audit observation is noted for future.

2.6.8.5 Running of water supply schemes unauthorizedly

Para 9.6 of guidelines provides that all water supply schemes within the GP shall be maintained by the gram panchayats.

Audit observed from the records of WSSD Division, Garhshankar that 26 water supply schemes were completed and commissioned between May 2011 and March 2014 under NRDWP. Out of these, four[152] schemes completed at a

[152]

(₹ in lakh)

Sr. No	Name of Scheme	Expenditure on scheme	Pending Electricity bill
1	Pipliwal	66.46	8.49
2	Kalewal Beet	71.66	34.63
3	Garhi Mansowal	98.59	48.35
4	Mehindwani	98.41	28.35
Total		**335.12**	**119.82**

cost of ₹ 335.12 lakh were neither handed over to the GPWSC as required under NRDWP nor were these being run by the Department. The electricity bills of ₹ 119.82 lakh were pending (May 2011 to October 2015). Further, it was also observed that neither the user charges were being collected by the Department nor by the GPWSC concerned. Thus, an amount of ₹ 335.12 lakh spent on these schemes had not yielded any benefits but had in fact created a liability in the shape of outstanding electricity bills.

In the exit conference, the department stated that it is making sincere efforts to hand over the schemes to the GPWSC.

2.6.8.6 Renovation of ponds without convergence

Clause 5 of guidelines provides that convergence with the MGNREGS for construction of new ponds and rejuvenation of the old ponds, including de-silting, should be built into the system design and execution.

Scrutiny of records showed that an amount of ₹ 12.37 crore was incurred (2010-15) on renovation of 204 ponds in the State. In selected districts renovation of 43 ponds was done by Department with an expenditure of ₹ 3.67 crore instead of getting this done under MGNREGS.

The department stated that the work of renovation of ponds has now been executed by the Rural Development Department from MGNREGS funds. The reply was not acceptable as the expenditure of ₹ 3.67 crore incurred from the funds of NRDWP instead of MGNREGS was irregular.

2.6.9 Internal control mechanism

2.6.9.1 Non-evaluation of Project and engagement of Research Agency

Para 11.3 of guidelines (revised 2013) provide that the State Government may take-up monitoring and evaluation studies on the implementation of rural water supply programme. Such proposal needs to be approved by SLSSC and reports should be sent to the GOI and immediate corrective action should be initiated to improve the quality of programme implementation.

Audit observed from the records of CE that the Department had not taken up monitoring and evaluation study on the implementation of the NRDWP ever since its inception. This was not only violative of the guidelines but it also deprived the state Government of an opportunity to take corrective action on matters which were hindering effective programme implementation.

In the exit conference, the Department admitted the facts that no evaluation has been done at State level.

2.6.9.2 Social audit

Para 19.3 of guidelines provides that the community and community based organizations should monitor demand/need and coverage. For this purpose, every six months, on a fixed date there should be a social audit by a community organization to ensure that the works under taken by the DWSS and PRIs are as per the specification and funds utilized are appropriate to the works under taken.

Audit observed from the records maintained in selected districts that 166 water supply schemes (out of which four schemes were dropped) were either in progress or commissioned during 2010-2015. However, against the required 1214 social audit of selected schemes, no social audit was conducted during said period. Thus, Department failed to involve the community in implementation of the project.

In the exit conference, the representative of the department stated that regular social audit is being conducted since last one and half year. The Department supplied a proforma on which social audit was conducted. However the proforma prescribed for social audit did not cover the parameters[153] required for social audit.

2.6.9.3 Incorrect reporting to Government of India

Para 19.2 of guidelines (revised 2013) provides that the Integrated Management Information System (IMIS) would be the chief mechanism for monitoring the Programme. It shall be responsibility of the Executive Engineer to enter all the data in the database and ensure its accuracy in order to oversee the regularity at the state level, one officer, having adequate knowledge of Information technology' would be posted.

Audit observed mismatch in data with regard to receipt of funds from GOI and GOP as per cash book maintained at headquarters level and that reported through IMIS as indicated in **Table 2.6.9.**

Table 2.6.9: Discrepancies found in IMIS data and cash book

(₹ in crore)

Year	OB as per IMIS	Funds released by GOI as per IMIS	Funds received as per cash book/UCs	Closing balance as per cash book
1	2	3	4	5
2010-11	Nil	113.21	113.10	25.07
2011-12	Nil	126.77	119.94	21.38
2012-13	Nil	135.26	136.52	9.09
2013-14	Nil	166.19	139.37	7.03
2014-15	Nil	104.24	91.52	Cash book not maintained

Source- Departmental records

As is evident from above table, GOP had provided incorrect information/UCs to GOI during 2010-15 as there was variation in funds released by GOI and funds actually received by GOP as per records.

In the exit conference, the department stated that the measures are being taken to correct the data of IMIS. Thus, the department failed to adhere to the

153 (i) Distance from source; (ii) Time taken for fetching water; (iii) Quality;(iv) Reliability of supply during summer months; (v) Responsiveness of the service providers; (vi) User satisfaction; (vii) specification; (viii) funds utilization; etc.

guidelines for monitoring the IMIS at State level and relied upon the figures uploaded which indicated a weak internal control mechanism.

2.6.9.4 Idle field test kits

As per para 10.4 and Annexure III of NRDWP guidelines, field test kits (FTK) are to be used for primary detection of chemical and biological contamination of water. Further, O&M of the field test kits including refilling costs for these kits, cost of disinfectants, minor remedial expenses etc. are to be covered by community contribution of ₹ 1 per family per month to be deposited in the VWSC accounts with separate ledger. Inspection is to be done to check and ensure that the water quality monitoring and surveillance programme is implemented as per norms and also that the community has been involved in the analysis of water samples using field test kits.

Audit observed from the records of CCDU, Mohali that during 2010-15, 7000 field test kits[154] were purchased at a cost of ₹ 1.37 crore[155] and supplied to the Gram Panchayats, WSSD, Schools and Aganwari Centres.

Usable period of all the kits expired after one year, but no effort was made to get these refilled. Contribution from the village families was not collected. Thus, all the field test kits were lying without any use after lapse of the validity period ranging between one and four years.

Field test kits lying unusable in Talawara (19.12.14) and Rajpura (Patiala)

In exit conference, the department stated that it is difficult to collect ₹ one from each family for recurring cost of the FTK. However, the cost of refilling the FTK is almost same as the cost of new kits. Reply was not acceptable as FTK should be refilled from the funds collected from public not from the Government Funds by purchasing new FTKs.

2.6.9.5 Testing of water

Twenty seven water testing laboratories have been established (during 2008-15) in Punjab at district and divisional headquarter levels. Besides, one State level advance laboratory with the facility to test for uranium and heavy metals has also been established at Mohali. These labs are working under the CCDU.

Audit observed (February 2015) from the records of CCDU that out of 9096 water supply schemes, water of 8880 schemes was tested by CCDU during

[154] 2010-11: 1000, 2011-12: 2000, 2012-13 : 2000 and 2013-14: 2000=7000 field Test kits.

[155] 7000 field test kits @ ₹ 1957.50 per field test kits.

2010-2015 (upto January 2015). Out of these tests, samples of 2608 schemes failed due to Uranium, Heavy metals found in the water which affected 3922 habitations. In selected districts, water samples of 2433 schemes were tested, out of which 772 samples failed due to Uranium, Heavy metals and basic parameters which affected 1300 habitations. No tests were conducted during February and March 2015.

In the exit conference, the Executive Engineer, CCDU admitted the facts and stated that for providing safe drinking water, 1801 RO plants had been installed in the State. Further, 561 RO plants are to be installed out of which 130 have been installed. A project for providing safe drinking water to the affected habitations has been submitted and approval was awaited (December 2015).

Conclusions

The five year rolling plan was not prepared due to which a definite direction for the implementation of the programme could not be given. Due to non-preparation of district and village water security plans, the Programme lacked an integrated approach. Imposition of cuts by GOI due to excess expenditure on O&M component, late submission of proposals and diversion of funds were noticed. There was shortfall in achievement of targets and many water supply schemes remained non-functional. The scheme was not evaluated ever since its inception due to which deficiencies in the implementation of the scheme going un-noticed could not be ruled out. There was data discrepancies in the Integrated Management Information System and actual records due to which incorrect reporting was made to GOI.

Recommendations

The State Government may ensure:

(i) approval of Annual Action Plan by State Level Scheme Sanctioning Committee and preparation of five year Comprehensive Water Security Plan for long term planning. BRCs should also be established;

(ii) submission of correct utilisation certificates to GOI;

(iii) availability of site before the commencement of work; and

(iv) periodical evaluation study of the programme to make it more efficient and effective.

The matter was referred to Government in July 2015; reply was awaited (January 2016).