CHAPTER-IV

AUDIT OF TRANSACTIONS

Audit of the departments of the Government, their field formations as well as of the autonomous bodies brought out several instances of lapses in management of resources and failures in the adherence to the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs.

4.1 Fraudulent drawal/misappropriation/embezzlement/losses

ANIMAL HUSBANDRY DEPARTMENT

4.1.1 Suspected embezzlement of government money

Failure of the Deputy Director in handling government money as per laid down procedure facilitated embezzlement of Rs 16.62 lakh.

Punjab Financial Rules provide that every government employee would be personally responsible for the money which passes through his hands and for prompt record of receipts and payments of the government in the cash book. The Head of Office would see that receipts collected during the day were credited in the treasury on the same day or on the morning of next day and would verify the correctness of the transactions of the cash and record a signed and dated certificate to that effect at the end of each month.

Test check of records (February 2007) of Deputy Director Animal Husbandry, Kapurthala (DD) disclosed that out of Rs 16.62 lakh collected on account of parchi fee, artificial inseminations and other miscellaneous receipts between April 2006 and January 2007, only Rs nine lakh was accounted for in the cash book and balance Rs 7.62 lakh remained unaccounted.

In reply to the audit memo (22 February 2007), the DD informed that an amount of Rs 5.03 lakh has been deposited on 23 February 2007[1]. On a subsequent reference to DD (March 2007) to certify the cash in chest, he avoided counting of cash on the plea that cashier had proceeded on leave with effect from 26 February 2007 without handing over keys of the chest. Further, as the DD had not recorded the monthly cash counting certificate between October 2004 to January 2007, the availability of cash of Rs nine lakh (January 2007) in chest was not beyond doubt. However, taking cognizance of audit objections, DD lodged a FIR in police station Kapurthala on 8 March 2007. Thus, failure of the DD to follow the laid down procedure and observe codal provisions with regard to handling of government money facilitated embezzlement of Rs 16.62 lakh.

[1] **Rs 0.36 lakh in treasury and Rs 4.67 lakh with Punjab Live Stock Development Board.**

On being pointed out in Audit, the Director, Animal Husbandry, Punjab intimated (April 2007) that keeping in view the financial irregularities pointed out by Audit, concerned DD and Cashier have been placed under suspension. Further developments were awaited (August 2007).

AGRICULTURE DEPARTMENT

4.1.2 Loss due to incorrect fixation of rates

Wrong fixation of price of plots resulted in loss of Rs 53.45 lakh to Punjab Mandi Board.

Punjab State Agricultural Marketing Board (Sale and Transfer of Plots) Rules, 1999 provide that all plots in the markets developed by the Punjab Mandi Board (PMB) or market committees shall be disposed off by way of open auction or allotment only to licensed dealers who have been granted licence in the old denotified markets. The sale price was to be fixed at 35 *per cent* above the reserve price in the markets where no auction had so far been held. Further, as per Government orders (July 2003), the reserve price was to be fixed according to a standard formula or the minimum price of the same category in the same Mandi in the previous auction held there whichever was higher.

Test check (December 2006) of the records of Secretary, PMB, Chandigarh disclosed that for allotment of plots in Samana Mandi (Patiala District), the sale price was incorrectly worked out (August 2003) as Rs 7,195 per sq. yard instead of Rs 7,380 per sq. yard due to incorrect calculation of interest on departmental charges and short levy of planning charges (at the rate of two *per cent* instead of two and half *per cent*). Thus, due to wrong fixation of sale price on lower side by Rs 185 per sq. yard, PMB suffered a loss of Rs 53.45 lakh on sale of plots measuring 28892 sq. yards up to December 2006.

On being pointed out (March 2007), the Department admitted (May 2007) the omission in levy of planning charges but remained silent on short levy of interest on departmental charges.

The matter was referred to Government (January 2007); reply has not been received (August 2007).

REVENUE DEPARTMENT

4.1.3 Irregular disbursement of relief to farmers

Failure of the Department to follow prescribed procedure for payment of relief facilitated irregular relief payment of Rs 2.50 crore to farmers, besides loss of interest of Rs 29.43 lakh on retention of money outside the government accounts.

Punjab Land Records Manual provides that the Collector of the district may require a special harvest inspection to be carried out after a period of ten days from the date of occurrence of a natural calamity and this special girdawari if ordered, may be completed within a week. No relief is payable if the damage to crop is less than 25 *per cent*. Further, financial rules provide that no money should be withdrawn from treasury unless it is required for immediate disbursement.

Test check of records of Deputy Commissioner, Jalandhar (DC) disclosed (February 2007) that in compliance to orders (9 January 2006) of Revenue Department to report weekly the impact of cold wave conditions in the district, the DC reported (27 January 2006) that potato crop in 3278 hectares (8195 acres) of land was damaged by 10 *per cent*.

The Chief Minister constituted (17 January 2006) a Committee headed by the Transport Minister to assess the damage to potato crop which the Committee got done through Horticulture Department. The Horticulture Department assessed (7 and 8 February 2006) 52.75 *per cent* damage to total potato crop sown (47462 acres) in the district. The Committee while submitting its report on 21 February 2006 recommended a special *girdawari* be conducted (February 2006) to know the actual damage.

The Government ordered a special girdawari as recommended by the Committee, but the DC intimated (27 February 2006) that since the potato crop had been harvested, the special girdawari could not be recorded. However, the Financial Commissioner Revenue (FCR) sanctioned (March 2006) Rs 4.75 crore for disbursement of relief to the farmers. On being asked for (April/May 2006) by the DC that as to how the disbursement was to be made as no farmer-wise assessment details were available with the Department, the FCR relaxed (September 2006) the condition of special girdawari and ordered disbursement of the relief on the basis of local enquiry by the committees constituted by the district administration in contravention of the provisions of the manual and even the recommendations of the committee constituted for the purpose. As a result, Rs 2.50 crore was irregularly disbursed during November 2006 leaving Rs 2.25 crore undisbursed with DC. The Government lost Rs 29.43 lakh as interest (calculated on borrowing rate of State Government) for drawal of funds without immediate requirement and keeping Rs 2.25 crore undisbursed in a bank from March 2006 to March 2007.

On being pointed out, DC stated (February 2007) that the relief was disbursed on the basis of instructions from Government and the amount lying undisbursed will be deposited into treasury.

The matter was referred to Government (April 2007); reply has not been received (August 2007).

4.2 Infructuous/wasteful expenditure and overpayment

IRRIGATION AND POWER DEPARTMENT

4.2.1 Excess payment due to defective tendering

Change in quantities of items in DNIT favoured the contractor with excess payment of Rs 1.53 crore.

Government accorded administrative approval (October 2001) for Rs 19.81 crore to the project of construction of Thana Dam and its appurtenant works to protect villages downstream Khawaja Khad from flash floods during monsoon season and storing the same water in the reservoir for irrigation purpose. In the approved project, quantity of item "impervious material" (IM) found suitable after testing the borrow area for use on the construction of impervious core section worked out to be 112735 cum. In case of high dispersivity, the provision of "lime treated impervious material" (LTIM) limited to ten *per cent* was made in the project estimate which worked out to be 11274 cum leaving quantity of IM as 101461 cum (90 *per cent*).

Scrutiny of records of Executive Engineer, Janauri Chohal Construction Division, Hoshiarpur (EE) disclosed (March 2007) that Chief Engineer, Kandi Area Development while according approval (December 2005) to the detailed notice inviting tender (DNIT) changed quantity of IM from 90 to 50 *per cent* and LTIM from 10 to 50 *per cent* without recording any justification. On floating DNIT, the lowest tender (L1) was received (December 2005) for Rs 15.71 crore against Rs 16.38 crore quoted by second lowest tender (L2). Against the departmental rates (based on CSR) of Rs 204.84 per cum and Rs 325.47 per cum for IM and LTIM respectively, the rates quoted by first lowest bidder (L1) were Rs 335 per cum and Rs 345 per cum, whereas the rates of second lowest (L2) were Rs 190 and Rs 410 per cum, respectively. In over all comparison L1 became lower by Rs 67.39 lakh than the L2 its close contender.

Accordingly, the work was allotted to L1 in December 2005. Up to February 2007 against agreed quantities of 55547 cum each of IM and LTIM, 106280 cum (98.60 *per cent*) and 1510 cum (1.40 *per cent*), respectively were actually executed and paid. The quantities executed were close to the quantities envisaged in the approved project. The computation for payments based on quantities executed disclosed that had the DNIT been prepared according to the approved project, the L2 should have been L1.

(Rupees in lakh)

		Departmental			**Contractor L1**			**Contractor L2**			**Amount of excess payment w.r.t. actual executed quantities**
Sr. No	**Item of work**	**Estimated quantity (cum)**	**Rates**	**Executed quantity (cum)**	**Rates**	**Amount w.r.t. estimated quantity**	**Amount w.r.t. executed quantity**	**Rates**	**Amount w.r.t. estimated quantity**	**Amount w.r.t. executed quantity**	
1	IM	55547	204.84	106280	335.00	186.08	356.04	190.00	105.54	201.93	154.11
2	LTIM	55547	325.47	1510	345.00	191.64	5.21	410.00	227.74	6.19	-0.98
	Total					**377.72**	**361.25**		**333.28**	**208.12**	**153.13**

Thus, change in the quantities of IM and LTIM favoured the contractor to become L1 and caused loss of Rs 1.53 crore to the State exchequer.

In reply, the Executive Engineer stated (March 2007) that the DNIT was prepared on the basis of approved technical estimates. The reasons for proposing changed quantities for technical approval leading to extra expenditure were not intimated.

The matter was referred to Government (May and June 2007); reply has not been received (August 2007).

4.2.2 Overpayment to the contractor

Failure of the Department to observe codal provisions and execution of work without approval of estimate and sanction of rates by competent authority resulted in overpayment of Rs 40.30 lakh to the contractor.

Under the codal provisions[2], the work should not be started until and unless a detailed estimate is sanctioned and rates approved by the competent authority.

During audit (May 2004) of records of Executive Engineer, Canal Lining Division I, Bathinda (EE) excess expenditure of Rs 26.38 lakh pertaining to the work "Construction of X-regulator at RD 114110 of Main line Upper Bari Doab Canal" was pointed out. Further scrutiny of records of EE during next audit (October 2006) disclosed that the work was allotted to Contractor 'A' in March 2002 without sanction of estimates and approval of rates. The work was started on 13 March 2002 and last payment of Rs 3.12 crore was paid in May 2002 to the contractor for his 7th Running Bill. Chief Engineer (CE) accorded sanction to the estimate (Rs 2.86 crore) for the work as well as to the lowest rates of the contractor subsequently on 12 September 2002. A scrutiny of the 7th running bill showed that the rates allowed to the contractor were higher than the rates approved by the CE leading to overpayment of Rs 40.30 lakh to the contractor.

On being pointed out (October 2006/April 2007), the EE intimated (April 2007) that the final bill of the work was pending and no decision has been taken on the charge sheets issued in September 2005 to the officers/officials (July 2007).

The Department did not observe codal provisions and executed work without approval of estimate and sanction of rates by competent authority which led to overpayment of Rs 40.30 lakh to the contractor.

The matter was referred to Government (May 2007); reply has not been received (August 2007).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.2.3 Unfruitful expenditure

Failure of the Department to utilize autoclave and shredders led to unfruitful expenditure of Rs 1.68 crore. In addition, Rs 48.55 lakh were also spent on lifting of bio-medical waste through private firms.

Bio-Medical Waste (Management & Handling) Rules, 1998 provide that in hospitals and nursing homes in towns with population of below 30 lakh, the waste management facilities like incinerator, autoclave and microwave system were to be completed by 31 December 2002.

Test check of records of the Managing Director, Punjab Health Systems Corporation, Mohali (Corporation) (MD) disclosed (January 2007) that two

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[2] **Para 2.89 of PWD Code.**

supply orders for purchase of 30 shredders (April 2002) and 35 Autoclaves (June 2002) at a cost of Rs 36.38 lakh and Rs 1.32 crore respectively had been placed for disposal of biomedical waste. The equipment was received between January and August 2003 in various hospitals[3] of the Corporation. This equipment was lying idle (January 2007) in hospitals due to lack of job specific training in handling and maintaining the equipment, lack of infrastructure like transporting system for waste from peripheral institutions to the places of treatment. The specified warranty period of 18 months has also since expired. Instead of initiating any action for putting the equipment to use, the MD entrusted (July 2003) the work of collection, transportation, treatment and disposal of bio-medical waste to private firms and paid Rs 48.55 lakh to these firms between July 2003 and November 2006. The failure of Department to use the equipments even after four years of purchase not only rendered the expenditure of Rs 1.68 crore unfruitful but also resulted in avoidable expenditure of Rs 48.55 lakh on lifting of bio-medical waste through private firms.

On being pointed out, the MD stated (January 2007) that the Corporation was still in the process of completing and developing waste management programme and the MoU signed with these firms would be scrapped as and when the new system becomes operative. The reply of MD was not acceptable as the Department failed to use the equipment since its procurement in February 2003.

The matter was referred to Government (February 2007); reply has not been received (August 2007).

4.2.4 Unfruitful expenditure on non-functional mini primary health centres

Failure of Department to make the mini primary health centres functional despite completion of buildings resulted in expenditure of Rs 39.60 lakh unfruitful besides denial of health care facilities to the public.

The Government accorded (March 1998) sanction for construction of mini primary health centres, (PHCs) in Muktsar district for providing health facilities at newly established[4] focal points in the State. The Civil Surgeon (CS), Muktsar deposited Rs 41.34 lakh with the Executive Engineer, Provincial Division, Faridkot (Rs 10.65 lakh: April 1998; Rs 30.69 lakh: May 2001), for this purpose.

[3] **(1) Civil Hospital (CH) Amritsar (2) Sub-Divisional Hospital (SDH), Patti (3) SDH Manawala (4) CH, Bathinda (5) SDH, Talwandi Saboo (6) CH, Faridkot (7) CH, Fatehgarh Sahib (8) CH, Ferozepur (9) CH, Abohar (10) CH, Fazilka (11) CH, Gurdaspur (12) SDH, Batala (13) SDH, Pathankot (14) CH, Hoshiarpur (15) SDH, Mukerian (16) SDH, Dasuya (17) CH, Nakodar (18) CH, Phillaur (19) CH, Kapurthala (20) CH, Ludhiana (21) CH, Jagraon (22) CH, Khanna (23) CH, Mansa (24) CH, Moga (25) CH, Muktsar (26) CH, Banga (27) CH, Balachaur (28) CH, Nabha (29) CH, Ropar (30) CH, Anandpur Sahib (31) CH, Sangrur (32) SDH, Malerkotla (33) SDH, Barnala (34) CH, Jalandhar (35) Mata Kaushalya Hospital, Patiala.**

[4] **Gulabewala, Virk Khera and Mahuana during the year 1997-98 under the Primary Health Centres (PHCs) of Chak Sherewala, Alamwala and Lambi respectively.**

Audit scrutiny of records (September 2006) of the CS, Muktsar and three PHCs disclosed that buildings of three mini PHCs were completed at a cost of Rs 39.60 lakh between October 2001 and February 2002. Senior Medical Officers (SMO), Gulabewala and Mahuana took over buildings in February and May 2003 respectively. SMO, Alamwala intimated that possession of mini PHC building (Virk Khera) had not been taken over so far (May 2007). These mini PHCs had not yet (May 2007) been made functional as staff had not been posted and medical equipment and furniture had not been provided.

Thus, failure of Department to make the mini PHCs functional despite building having been completed resulted in unfruitful expenditure of Rs 39.60 lakh on construction of mini PHCs and also led to denial of intended benefits to the public.

The matter was referred to Government (April 2007); reply has not been received (August 2007).

LOCAL GOVERNMENT DEPARTMENT

4.2.5 Avoidable payment of penal interest

Failure of Department to repay instalments of loan in time resulted in avoidable payment of penal interest amounting to Rs 19.69 lakh.

The State Government arranged two loans amounting to Rs 28.51 crore (Rs 14.26 crore in March 1991 and Rs 14.25 crore in March 1992) from Life Insurance Corporation of India (LIC), to finance the Urban Water Supply and Sewerage Schemes being executed through Punjab Water Supply and Sewerage Board. As per agreements executed with the LIC, the repayment was to be made in six monthly instalments starting from August 1991 and August 1992 respectively and if the borrower failed to repay the amount of an instalment on due date, the same would have to be paid with a compound interest at the rate of 12 *per cent* or at the rate of interest for such loans which might be prevailing at the time of receipt of such defaulted instalment which ever was higher.

Scrutiny of records (December 2006) of Director, Local Government Chandigarh (Director) disclosed that repayment of four instalments (of each loan) falling due on first of August 2003, February 2004, August 2004 and February 2005 were delayed for a period upto 44 days. Thus, failure of the Department to repay instalments on time resulted in avoidable payment of penal interest amounting to Rs 19.69 lakh pertaining to the period from August 2003 to February 2005.

On being pointed out (February 2007) the Director, Local Government admitted (March 2007) that the delay in repayments of loans occurred due to administrative lapse.

The matter was referred to Government (February 2007); reply has not been received (August 2007).

4.3 Undue financial aid and avoidable expenditure

FINANCE DEPARTMENT

4.3.1 Avoidable financial burden on State exchequer

Without prior consent of HUDCO for preclosure of loan raising of another loan resulted in extra burden of Rs 180 crore and interest of Rs 39.15 crore on state exchequer.

The State Government took a loan of Rs 200 crore from the Housing and Urban Development Corporation Limited (HUDCO) (April 2000: Rs 100 crore and September 2000: Rs 100 crore) at the rate of 12.75 *per cent* per annum. The agreement entered between State Government and HUDCO did not contain clause of preclosure of loan. However, in the absence of consent of HUDCO for preclosure of loan, the Department raised (January 2004) another loan of Rs 180 crore from Punjab National Bank at the rate of 7.25 *per cent* per annum for making repayment of loan to HUDCO. However, HUDCO refused to accept repayment of loan in lump sum (preclosure) and reset (March 2005) the loan at revised rate of interest of 8.25 *per cent* after charging resetting charges of Rs 1.80 crore.

Thus, raising of loan without prior consent of HUDCO for preclosure/reset of loan resulted in extra burden of Rs 180 crore on State exchequer as the amount of loan was utilised for unspecified works besides payment of interest amounting to Rs 39.15 crore for the period February 2004 to March 2007.

The matter was referred to Government (May 2007); reply has not been received (August 2007).

PUBLIC WORKS DEPARTMENT
(BUILDINGS AND ROADS BRANCH)

4.3.2 Avoidable expenditure on National Highway

Approval of work of four-laning of National Highway with State funds burdened the State exchequer with Rs 14.09 crore.

National Highways Act, 1956 (Act) states that it is the responsibility of Government of India (GOI), Ministry of Road Transport and Highways (MORTH) to develop and maintain all National Highways (NH). GOI provides funds for this purpose and also pays agency charges at the rate of nine *per cent* to the State Government for the execution of NH works.

Audit scrutiny of records (January 2007) of Executive Engineer, Central Works Division, Patiala (EE) disclosed that instead of getting National Highway work executed out of GOI funds, the State Government proposed (November 2003) execution of work of four laning of NH-64 from Km 57 to 62.750 (Sewa Singh Thikriwala Chowk to Samana crossing near Bhakra Main Line of Patiala-Sangrur road) with its own funds and sought technical sanction from MORTH. In pursuance of technical sanction accorded by MORTH

(July 2004), the State Government administratively approved (March 2005) the work at a cost of Rs 9.95 crore with funding arrangement from Punjab Infrastructure Development Board (PIDB). The work was awarded (November 2006) to a contractor at a tendered cost of Rs 14.09 crore with the time limit of nine months. The work was in progress and an expenditure of Rs 2.28 crore was incurred up to April 2007.

Thus, incurring of expenditure out of State funds on four-laning of NH would eventually burden the State exchequer of Rs 14.09 crore.

On being pointed out (January 2007), the EE intimated (January 2007) that the work was carried out after sanction from MORTH on receipt of funds from PIDB. The reply was not acceptable as construction as well as development/ maintenance of NH was the responsibility of MORTH.

The matter was referred to Government (May 2007); reply has not been received (August 2007).

4.3.3 Avoidable expenditure during construction of rural roads

Failure to adopt the prescribed thickness of pavement of rural roads resulted in avoidable expenditure of Rs 1.12 crore.

The Ministry of Rural Development issued (September 2002) instructions to the State Executing Agencies (SEA) to follow the provisions contained in the Rural Road Manual (Manual) prescribed by the Ministry for implementing schemes under the Pradhan Mantri Gram Sadak Yojana (PMGSY). As per Manual, the specifications for the thickness of pavement for the design of the road were to be based on California Bearing Ratio (CBR) value of the site and as per projected number of commercial vehicles. As no traffic census could be done in case of unmetalled (katcha) roads, the Central Roads Research Institute (CRRI) had advised (February 2001) that the curves with minimum traffic census i.e. 0-15 commercial vehicles per day (Curve A) should be adopted for calculating the crust thickness of these roads.

Scrutiny of records of Executive Engineer, Construction Division, Muktsar (EE) disclosed (June 2004) that for the construction of 49 new rural roads, connecting hamlets and *shamshan ghats* etc., the Department adopted higher thickness of the pavement with excess thickness ranging between 15 mm and 120 mm against the provisions of Manual and advice of CRRI. The adoption of higher thickness against the prescribed thickness of pavement resulted in avoidable expenditure of Rs 1.12 crore on the construction of these rural roads.

On this being pointed out (June 2004), the EE confirmed (March 2005/May 2006) that the roads in question being new connectivity, no traffic census was possible and the crust thickness was taken in view of the CBR value and based on the technical advice (May 2005) of CRRI to assume the curves with the minimum [5] traffic census. Government/Chief Engineer also endorsed

[5] **0-15 Commercial vehicles per day.**

(July/ September 2006) the reply of EE. Reply of the Department was not acceptable because higher crust thickness was laid in violation of CRRI specifications.

The matter was again referred to Government (December 2006); the Government reiterated its reply (August 2007).

4.3.4 Avoidable expenditure

Failure of the Department to verify technical viability (laying a layer of WBM) before taking up the execution of work not only resulted in delay in completion of work but also in avoidable expenditure of Rs 57.39 lakh caused due to re-allotment of the items at higher rates.

Superintending Engineer (SE) Ferozepur Circle submitted (October 2003) a proposal to SE, State Circle Chandigarh-cum-Nodal Officer, National Bank for Agriculture and Rural Development (NABARD) for widening (3.66 mtr to 5.50 mtr) and strengthening the Fazilka-Hidumalkot road in Km. 0.00 to 21.52. Based on recommendation of SE, State Circle NABARD, State Government administratively approved (April 2004) the work at Rs 2.34 crore after deleting an item for providing one layer of water bound macadam (WBM) in the design. Chief Engineer (CE) accorded (September 2004) technical sanction of Rs 2.31 crore for the work. The work was awarded (October 2004) to Contractor A[6] at a cost of Rs 2.10 crore for completion within six months. The work was not completed and after execution of work costing Rs 1.08 crore, agreement was rescinded in August 2006.

Scrutiny of records (August 2006) of SE, Ferozepur disclosed that after awarding the work, the SE pointed out (February 2005) to the CE that laying of one layer of WBM (75 mm) after widening was technically required for profile correction before laying premix carpet (PC) correctly. Consequently, on physical inspection of road (September 2005), the CE submitted (November 2005) a separate estimate for laying one layer of WBM and got approved (January 2006) from the Government for Rs 1.03 crore. The work for laying one layer of WBM was awarded (June 2006) to another contractor B[7] at a tendered cost of Rs 1.39 crore. The work allotted to contractor 'B' was completed (February 2007) at a cost of Rs 1.29 crore. Similarly, the work of laying tack coat and PC on strengthened portion of road was allotted (October 2006) on tendered cost of Rs 94.84 lakh to another contractor C[8] at rates higher than already allotted rates of October 2004 for these items and work was under progress (May 2007).

Taking up the execution of work after deleting the item (laying a layer of WBM) without ascertaining the viability of the road without WBM layer resulted in avoidable expenditure of Rs 57.39[9] lakh due to re-allotment of the items at higher rates.

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[6] **M/s Chabbra Engineer Works, Builders and Contractors, Abohar.**
[7] **M/s M.P. Enterprises, Muktsar.**
[8] **M/s Prem Paul, Abohar.**
[9] **Avoidable expenditure on WBM: Rs 25.94 lakh; Tack coat: Rs 4.27 lakh and PC: Rs 27.18 lakh = Rs 57.39 lakh.**

The matter was referred to Government (February 2007); reply has not been received (August 2007).

4.3.5 Avoidable expenditure on construction of a road

The Department did not provide a clear site to the contractor and did not extend time for completing the work leading to avoidable expenditure of Rs 24.61 lakh on account of allotment of balance work on higher rates.

The Executive Engineer, Construction Division, Patiala (EE) awarded the work of "widening and strengthening of 8.60 km. of Patiala main road to a contractor (June 2005). This work was administratively approved (February 2005) for Rs 138.87 lakh and the contractor had tendered cost of Rs 111.44 lakh. The work was to be completed within three months.

The site had obstacles such as 11 KV LT lines, incomplete sewerage work (reach RD 1.35 to 1.80 Km) and part of the land was forest land that had not been diverted. The EE could not remove these obstacles. The contractor applied (November 2005) for time extension on grounds of non-removal of obstacles from the site. The EE granted time extension up to December 2005. As the obstacles were still not removed, the contractor applied (March 2006) for further time extension upto April 2006, on same grounds. The request was, however, turned down by the EE who imposed (May 2006) liquidated damages of Rs 8.35 lakh on the contractor under clause 2 & 3 of the agreement, observing that the contractor had not completed the work due to revision of ceiling premium and increased cost of quarry material. The contract was rescinded (May 2006) and the payment of Rs 37.98 lakh for the work done by the contractor was made in June 2006. The balance work was allotted (June 2006) to another contractor at a tendered cost of Rs 99.76 lakh which was completed in September 2006 and final payment of Rs 96.72 lakh was made (December 2006).

However, the same balance work could have been completed for Rs 63.40 lakh by the first contractor if the Department had given him the time extension and free site. Thus, action of the Department to rescind the contract despite having noticed increase in cost of material and the first contractor willing to complete the work (provided extension granted and site made available free from all hindrances) resulted in avoidable expenditure of Rs 24.61 lakh (Rs 32.96[10] lakh– Rs 8.35 lakh: liquidated damages) on account of allotment of balance work on higher rates.

On being pointed out (June 2006), the EE stated (June 2006) that balance work was got completed with the approval of higher authorities after levying penalty/damages as per agreement. The reply was not acceptable as the EE turned down the time extension and preferred to get the work done at higher rates ignoring request of outgoing contractor to do the work at old settled rates.

The matter was referred to Government (February 2007); reply has not been received (August 2007).

[10] **Rs 96.72 lakh – 0.36 lakh (extra items) – Rs 63.40 lakh = Rs 32.96 lakh.**

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

4.3.6 Avoidable payment of interest

Failure of the Department to make payment of enhanced compensation in time resulted in avoidable payment of interest Rs 1.25 crore.

As per financial rules[11], every government employee is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of the expenditure of his own money. In Land Acquisition cases, the Land Acquisition Act, 1894 provides for payment of interest on enhanced compensation for the period of delay in making payment to the land owners.

Audit scrutiny of records (August 2006) of Collector Land Acquisition, Punjab Urban Development Authority (CLA, PUDA) disclosed that payment of enhanced compensation of land including interest thereon amounting Rs 12.05 crore (Rs 5.75 crore compensation and Rs 6.30 crore interest) in 63 cases was payable between February 2001 and March 2003 as per decision of district court. But inspite of availability of funds, the CLA, PUDA made the payment between March 2003 and August 2005 with a delay ranging between 12 months and 55 months (excluding the period of 3 months for processing the claims/appeals). As a result, the CLA had to make enhanced payment of Rs 13.30 crore (compensation- Rs 5.75 crore; interest-Rs 7.55 crore). Thus, delay on the part of the CL A, PUDA to make payments on time resulted in avoidable payment of interest of Rs 1.25 crore.

On being pointed out (October 2006) in audit, CLA, PUDA stated (February 2007) that the payments could not be made in time due to shortage of staff, seeking legal advice and non-availability of funds. The reply was not acceptable because sufficient funds were available with CLA and the fact remains that abnormal delay (12 months to 53 months) in payment of claims caused avoidable payment of interest.

IRRIGATION AND POWER DEPARTMENT

4.3.7 Undue financial aid to private firm

Non-recovery of departmental charges of Rs 44.27 lakh on a deposit work executed on behalf of a private firm.

According to Departmental Financial Rules[12], departmental charges are leviable at the rate of 27.5 *per cent* on deposit works undertaken by any Government/Department on behalf of local body or other concerned. To

11 **Rule 2.10 (a) (i) of Punjab Financial Rules Vol.-I.**
12 **Paragraph 8 of Appendix II of DFR.**

provide canal water to a paper industry[13] for use in preparation of paper, the work of strengthening raising and lining of Upli distributory from RD-0 to 93490 was approved (May 2005) at an estimated cost of Rs 2.67 crore. As per provisions of the estimate, the head regulator at RD 93490 was to be constructed at Government expenses and for carrying water from RD 93490 to the site of work, the industry had to make their own arrangement.

Audit scrutiny of records of Executive Engineer, Sangrur IB Division Sangrur, (EE) disclosed (July 2006) that the work was, however, split-up to ten sub estimates for different RDs from 0 to 93490 and got approved at the aggregate cost of Rs 2.33 crore which included departmental charges at the rate of 27.5 *per cent*. Funds of Rs 1.62 crore were deposited with the Division between December 2004 and August 2005 by the firm for execution of work. The EE took up the work in May 2005 and an expenditure of Rs 1.61 crore was incurred as of July 2007. However, the departmental charges of Rs 44.27 lakh were not recovered from the firm despite making provisions in the estimate of works.

On being pointed out (July 2006), the Department intimated (January 2007) that the departmental charges in this case had been waived off by the Punjab Government (September 2006). The reply is not acceptable because the sanction for waiving of departmental charges is for micro hydel projects and was not applicable in the present case in which canal water was to be supplied for production of paper and towel.

The matter was referred to Government (October 2006), reply has not been received (August 2007).

4.4 Idle investment/idle establishment/blocking of funds, delay in commissioning, diversion/misutilisation of funds.

4.4.1 Forfeiture of central assistance

Non-implementation of centrally sponsored schemes resulted in forfeiture of central assistance of Rs 47 crore besides wasteful expenditure of Rs 55 lakh on abandoned schemes.

Government of India (GOI) funds sanctioned for central/centrally sponsored schemes were not fully availed by the State Government. The details of non-availment of central assistance were as under:

[13] **M/s Abhishek Industries Ltd, a unit of Trident Group of Industries, Dhaula District Sangrur.**

Name of work/ department	Estimated cost	GOI share	GOI share received	Short availed	Remarks
	Rupees in crore				
Sector Reform Project comprising 117 schemes (Water Supply and Sanitation Department)	39.93 (10/2002)	35.94 (90%)	11.20	24.74	GOI released its first installment of Rs 11.20 crore in 1/2001 for execution of 117 schemes. Department took up 35 schemes for execution in 2001. Of which, 15 schemes were completed at Rs 4.07 crore, 8 schemes (expenditure Rs 1.27 crore) in progress, 8 schemes abandoned (expenditure Rs 0.55 crore) and 4 schemes not taken up as of March 2007.
Augmentation/strengthening of 43 existing rural water supply schemes. (Water Supply and Sanitation Department)	27.05 (9/2000)	20.28	9.18	9.45 (75% of Rs 12.60 crore)	Out of 43 existing rural water supply schemes, 22 were completed at a cost of Rs 11.91 crore and 20 schemes (Rs 14.44 crore) were placed under NABARD loan(Rs 12.60 crore; State share-1.84 crore) on the plea that pace of release of central funds was slow. However, out of 20 only 13 schemes were completed (Rs 8.16 crore), one suspended and seven were yet in progress (March 2007). The execution of schemes from NABARD loan deprived the State Government of central assistance of Rs 9.45 crore (75 percent of Rs 12.60 crore) and also created liability of interest amounting to Rs 3.06 crore on NABARD loan up to March 2007.
Solar Photo Voltaic Pump (Science & Technology Department)	12.74 (3/2004)	12.74	6.37	10.01 (6.37+3.64)	Central assistance of Rs 12.74 crore was sanctioned for installation and commissioning of 700 SPVP sets. Rs 1.82 lakh per pump was to be provided as central assistance and balance Rs 0.30 lakh by the State Government and Rs 0.65 lakh by the beneficiary. The work was to be done by Punjab Energy Development Agency. Only 150 pumps (Rs 2.73 crore) were commissioned and balance Rs 3.64 crore refunded to GOI. The remaining GOI share of Rs 6.37 crore was also not released.
Strengthening and Updating of Land Records (Revenue Department)	5.66 (12/2002 -3/2005)	2.83	2.83	2.83	Work could not be started as such amount remained unutilized.
				47.03	

In three civil departments, funds sanctioned by Government of India for central/ centrally sponsored schemes were not fully availed mainly due to delay in completion of schemes, non-release of central funds by the State Government to the executing departments or non-release of state's share by the State Government. This resulted in denial of central assistance amounting to Rs 47 crore besides wasteful expenditure of Rs 55 lakh on abandoned schemes.

The above cases have been referred to Government (September–December 2006); replies have not been received (August 2007).

IRRIGATION AND POWER DEPARTMENT

4.4.2 Idle expenditure on works

Works were sanctioned and execution started but abandoned due to paucity of funds after incurring sizable expenditure. Failure to ensure availability of funds resulted in idle expenditure of Rs 5.01 crore.

While considering implementation of any project, it is incumbent upon the Government to make sure that adequate funds are available for its execution. Financial prudence requires that no project is left incomplete on grounds of non-availability of funds and execution of works should be planned in such a manner that no work is abandoned half way causing idle investment.

4.4.2.1 Test check of the records of two[14] Divisions disclosed that despite administrative approval and technical sanction of different projects for development of infrastructure, funds were released initially but stopped when the construction was mid-way. The infrastructure was thus left unfit for utilisation for the intended purposes. Such systemic failure caused by spreading the resources too thin over a large number of works led to blockage of funds and also resulted in creation of assets that can not be put to use. Some of the illustrative cases of this kind of systemic deficiency are reported below:

Audit scrutiny (March 2006) of the records of Executive Engineer, Shahpurkandi Dam, Division No. I, Shahpurkandi Township (EE) disclosed that EE prepared (September 1999) detailed estimate of Rs 24.06 crore for the work "Open cut excavation of Shahpurkandi Dam Project". As per report of estimate, the excavation pits get silted up during rainy season due to rise in water level in the river and entering the flood water in the pits. The Chief Engineer, Shahpurkandi Dam Project (CE) without availability of detailed drawings accorded (May 1999) anticipatory sanction of Rs eight crore and the work was started in May 1999 in the absence of drawings. The detailed drawings were, however, approved late in October 1999 by Design Organisation, Chandigarh. Against the estimated quantity of 1720177 cum earth work to be executed, only 287266 cum earth work was executed at a cost of Rs 2.70 crore upto October 2003 and thereafter the work was stopped on the directions of CE due to paucity of funds. The CE subsequently sanctioned the technical estimate (February 2004). The work had not been resumed so far (May 2007).

Thus, taking up execution of work in absence of detailed drawings and without ensuring funds availability resulted in unfruitful expenditure of Rs 2.70 crore.

On being pointed out (March 2006), the EE stated (March/June 2006) that the work could not be completed due to paucity of funds.

The matter was referred to Government (May 2007); reply has not been received (August 2007).

[14] **Shahpurkandi Dam, Division No. I, Shahpurkandi Township.**
Mansa Division, IB, Jawaharke (District Mansa).

4.4.2.2 With a view to increase intensity of irrigation[15] for the coverage of more Culturable Commanded Area[16] and also to ensure authorized supply of water at the tails, State Government approved (between July 1999 and November 2001), project estimate for the "Rehabilitation of Dhudal Branch System off taking at RD 800/L (Rs 3.47 crore); Ghuman Distributory off taking at RD 267900/R (Rs 3.75 crore) and Bhikhi Distributory off taking at RD 214623/L of Kotla branch (Rs 9.89 crore)", for the total length of 301.38[17] Km. with 20 *per cent* enhanced capacity. The work was sanctioned under state plan and was scheduled to be completed by March 31, 2005.

Audit scrutiny of records (January 2005) of the EE, Mansa Division, IB, Jawaharke (District Mansa) and further information collected (December 2005–February 2007) disclosed that the works[18] were taken up for execution between September and November 2001 with available funds of Rs 2.26[19] crore. After executing the work i.e. earth work and lining of 49.76[20] Km. length (against the proposed length of 301.38 Km) at a cost of Rs 2.31[21] crore, the work was stopped in February/March 2002 due to non-availability of balance funds. National Bank for Agriculture and Rural Development (NABARD) was approached (March 2005) to obtain balance funds as loan. But, neither NABARD sanctioned the project nor the State Government released balance funds, thereby rendering the expenditure of Rs 2.31 crore incurred on construction of lining in intermittent reaches unfruitful and also deprived the intended benefits to the farmers.

On this being pointed out (January 2005), EE admitted (August 2006) the facts.

The matter was referred to Government (November 2006); reply has not been received (August 2007).

4.4.3 Retention of money outside government accounts

Drawal of money from treasury and its retention outside government accounts resulted in blockage of funds amounting to Rs 3.14 crore and loss of Rs 66.15 lakh on account of interest to State exchequer.

Financial rules provide that no money should be withdrawn from treasury unless it is required for immediate disbursement. Further, Punjab Treasury Rules prohibited deposit of money drawn from treasury in the commercial banks except with the special permission of State Government. Department of Finance impressed upon (August 1999) all the departments to ensure the compliance with the Financial Rules.

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15 The percentage of Culturable Commanded Area where irrigation is to be done annually.

16 The area where cultivation is possible.

17 Dhudal Branch (62.93 Km), Ghuman Distributory (61.25 Km) and Bhikhi Distributory (177.20 Km).

18 Dhudal Branch System (25.9.2001), Ghuman Distributory (29.11.2001) and Bhikhi Distributory (26.10.2001).

19 PIDB (Rs 1.86 crore), State Government (Rs 0.40 crore).

20 Dhudal Branch (6.40 Km), Ghuman Distributory (36.01 Km) and Bhikhi Distributory (7.35 Km).

21 Dhudal Branch System (Rs 45.12 lakh), Ghuman Distributory and Bhikhi Distributory (Rs 185.48 lakh)

FINANCE DEPARTMENT

4.4.3.1 Scrutiny of records (December 2004) of District Senior Savings Officer, Rupnagar (DSSO) and information subsequently collected (April 2007 and May 2007) from the Director Cultural Affairs, Archaeology and Museums (Director) Punjab, Chandigarh disclosed that the Government sanctioned (January 2004) Rs two crore out of the Chief Minister's discretionary quota for conservation of Quila Mubarak Patiala. The DSSO drew (January 2004) the amount and placed (February 2004) at the disposal of the Director. The funds were lying unutilized with the Director as the Department had yet not decided the executing agency as of July 2007. This resulted in blocking of Rs two crore besides loss of interest of Rs 26.41 lakh calculated on borrowing rate of Government. On being pointed out, the Director intimated (April 2007) that the Government was yet to decide to execute this project through INTACH or some other agency.

HOME AFFAIRS AND JUSTICE DEPARTMENT

4.4.3.2 Scrutiny of records (July 2006) of the Director General of Home Guards and Civil Defence, Punjab, Chandigarh (DGP) disclosed that though the Department had yet not identified the site for construction of building of Combined Training Institute (CTI) at Mohali, an amount of Rs 1.14 crore allocated for construction of the building between March 2005 and October 2005 placed at the disposal of Punjab Police Housing Corporation Limited, Chandigarh (Corporation) was lying unutilised with the Corporation (April 2007). This resulted in blockage of Rs 1.14 crore besides loss of interest of Rs 15.65 lakh. On being pointed out the DGP intimated (July 2006) that request for allotment of a plot measuring 46 acre at Mohali had been submitted to State Government in March 2006 so that the funds could be utilized.

The matters were referred to Government (April 2006/October 2006); the replies have not been received (August 2007).

LOCAL GOVERNMENT DEPARTMENT

4.4.3.3 Scrutiny of records (December 2006) of Director Local Government Punjab, Chandigarh (Director) disclosed that in contravention of rules/ instructions *ibid*, the Director drew lumpsum amounts (April 2004 and January 2007) from treasury and deposited the same in a current account opened in State Bank of India, Chandigarh without obtaining special permission of competent authority. Scrutiny of withdrawals from treasury vis-à-vis disbursements made to local bodies revealed that the amounts drawn were in excess of requirement. Consequently heavy monthly balances ranging between Rs 31 lakh and Rs 15.46 crore rested in current account from April 2004 to April 2005.

The drawal of money in excess of requirement and retaining the same outside government accounts not only adversely affected the ways and means position of the government, but also resulted in loss of Rs 24.09 lakh to the State exchequer in the shape of interest calculated on borrowing rate of interest for the period from April 2004 to April 2005.

On being pointed out (December 2006), Department stated (December 2006) that funds were required for settlement of loan of Housing and Urban Development Corporation. Reply was not acceptable because treasury rules carried sufficient provisions for deposit and drawl of money on government accounts.

The matter was referred to Government (March 2007); reply has not been received (August 2007).

DEPARTMENT OF CULTURAL AFFAIRS, ARCHAEOLOGY AND MUSEUMS

4.4.4 Non-commissioning of chillers

Failure of the Department to commission chillers for the last five years resulted in blockage of Rs 2.36 crore.

The Chief Executive Officer, Anandpur Sahib Foundation (CEO,ASF) allotted (March 2000) the work of construction of Khalsa Heritage Memorial Complex, Anandpur Sashib to an agency[22]. The cost of the work was Rs 92.68 crore and was to be completed within 30 months (September 2002). The work inter-alia included providing, fixing and commissioning of centrifugal chillers at a cost of Rs 3.12 crore.

Audit scrutiny (May 2005) of accounts of CEO, ASF and information collected subsequently disclosed that though work for Rs 31.74 crore only (29.42 *per cent*) was executed, the contractor procured (January 2002) four centrifugal chillers having warranty of five years. Against this, the Department made (October 2002) payment of Rs 2.36 crore to the contractor but no action was initiated to install electric supply to test and operate the chillers. The chillers remained untested (April 2007) and in the mean time the warranty lapsed (January 2007). Failure of Department to commission chillers for the last five years resulted in blockage of Rs 2.36 crore.

On being pointed out, the Superintending Engineer (ASF) admitted the facts and stated (May & July 2006) that electric connection was not taken as it would result into payment of fixed electric charges and cost escalation was saved by purchasing chillers in advance and these will be commissioned before February 2007. However, the chillers had still not been commissioned (August 2007).

The matter was referred to Government (February 2006); reply has not been received (July 2007).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.4.5 Unutilised blood gas analysers

Procurement of blood gas analysers without assessing requirement of field hospitals and engaging qualified staff rendered the expenditure of Rs 83.17 lakh unfruitful.

Financial rules provide that purchases must be made in most economical manner and in accordance with definite requirements of public service.

Test check of records (January 2007) of Managing Director, Punjab Health Systems Corporation, Mohali (PHSC) (MD) disclosed that without having the

[22] **L & T Limited.**

requirement assessed from user hospitals, which also did not have qualified staff, the MD procured 31 Blood Gas Analysers (seven in September 2000 and 24 in June 2001) at a cost of Rs 83.17 lakh. These are used for measuring proportion of oxygen and carbon-dioxide in the blood of critically ill patients during treatment in emergency/intensive care units. The equipment were installed in 31 hospitals in the state under the control of PHSC between February 2002 and May 2002. The information collected from 16[23] hospitals, where the equipment were installed, however, revealed that blood gas analysers were lying un-operational (January 2007). This resulted in idle expenditure of Rs 83.17 lakh besides public was denied the intended facilities of blood gas analysers for over four years.

On being pointed out the MD, while admitting the facts, stated (January 2007) that purchases were not based on the requirements of the public service and these equipment were purchased under revamping exercise with the idea to upgrade the service more than what were the requirements of the public. He further stated that any qualified lab technician could operate this equipment and sufficient lab technicians were available at all the hospitals where the equipment were installed. But Senior Medical Officers incharge of Civil Hospitals had confirmed (August 2006 to June 2007) that equipment were lying unutilized as neither the equipment were indented by them nor the qualified staff for its operation was posted.

The matter was referred to Government (February 2007); reply has not been received (August 2007).

4.5 Regularity Issues and Others

AGRICULTURE DEPARTMENT

4.5.1 Non-levy of departmental charges

Failure of the Department to levy and recover the departmental charges resulted in loss amounting to Rs 4.94 crore to the state exchequer.

According to the Departmental Financial Rules (DFR), the recovery of cost of establishment should be made at the prescribed percentage rates of cost of works done for other departments and non-government works. In case of Industries Department, where land on behalf of local authority, private bodies and companies was acquired, the State Government decided (April 1992) to levy and recover departmental charges at the rate of 14 *per cent* on the cost of land acquired.

Test check of records (October 2006) of the Director, Colonization and Land Acquisition, Punjab, Chandigarh (Director) disclosed that land measuring 372 acres was acquired at a cost of Rs 35.28 crore for Punjab State Agricultural Marketing Board (Board) between April 2001 and October 2006 for

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[23] **SMO Civil Hospital (i) Abohar (ii) Anandpur Sahib (iii) Bathinda (iv) Faridkot (v) Fatehgarh Sahib (vi) Kapurthala (vii) Khanna (viii) Mansa (ix) Moga (x) Mohali (xi) Muktsar (xii) Nawanshahr (xiii) Patiala (Mata Kaushalya Hospital) (xiv) Phagwara (xv) Rajpura (A.P. Jain Civil Hospital) and (xvi) Ropar.**

development of 15[24] mandies in the State. However, the Department did not recover departmental charges leviable on the cost of land acquired from the Board. Failure of the Department to levy and recover the departmental charges as per rules resulted in loss of revenue amounting to Rs 4.94 crore to the State exchequer.

On being pointed out (October 2006), the Director admitted (October 2006) the facts and intimated that the matter regarding recovery of departmental charges had been referred (December 2006) to the Board. Further progress was awaited (July 2007).

The matter was referred to Government (February 2007); reply has not been received (August 2007).

4.6 General

4.6.1 Follow-up on audit reports/outstanding action taken notes

The Comptroller and Auditor General of India's audit reports represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in the various offices and departments of Government. It is, therefore, necessary that they elicit appropriate and timely response from the executive. At the instance of the Public Accounts Committee(PAC), Finance Department issued(August 1992), instructions to all the departments to initiate *suo moto* positive and concrete action on all paragraphs and reviews figuring in the audit reports irrespective of whether the cases were taken up for examination by PAC or not. The departments were also required to furnish to PAC detailed action taken notes(ATNs), duly vetted by audit, indicating the remedial action taken or proposed to be taken by them within a period of three months of the presentation of the reports to the State Legislature. But as per existing practice, ATNs are not sent to Accountant General's office for vetting before submission to PAC.

Out of 145 paragraphs and reviews included in the audit reports relating to the period 2000-2001 to 2004-05, which, had already been laid before the State Legislature, ATNs in respect of 73 paragraphs and 18 reviews as detailed below had not been received in the Audit Office as of March 2007, even after the lapse of prescribed period of three months:-

Year of Audit Report	Total Paragraphs/ Reviews in Audit Report	No. of Paragraphs/Reviews for which ATNs not received
2000-2001	33	08
2001-2002	31	11
2002-2003	29	25
2003-2004	31	28
2004-2005	21	19
Total	**145**	**91**

Department-wise analysis is given in the ***Appendices 4.27 and 4.28*** respectively. Departments largely responsible for non-submission of ATNs were Public Works, Housing and Urban Development, Health and Family Welfare, General Administration and Education. Government did not respond even to reviews containing important issues such as system failures, mismanagement and misappropriation of government money. Non-receipt of ATNs hampered the work of PAC.

[24] **1. Attari 2. Badhani Kalan 3. Breta 4. Jhunir 5. Dakha 6. Ghagga 7. Ghagga Additional Area 8. Harike 9. Lalru 10. Mour 11. Nakodar 12. Nihal Singh Wala 13. Phillaur 14. Sahnewal and 15. Sultan Pur Lodhi.**