CHAPTER-IV

AUDIT OF TRANSACTIONS

Audit of transactions of the Departments of Government, their field formations as well as that of the autonomous bodies brought out several instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs under broad objective heads.

4.1. Loss of Government money

PUBLIC WORKS DEPARTMENT (BUILDINGS AND ROADS BRANCH)

4.1.1. According to financial rules, departmental charges are leviable on deposit works including cost of land acquired through the Civil Department if the same is included in the estimate of the work as part of the cost of a non-Government work. Remission of these charges is not admissible except with the consent of Finance Department.

Audit scrutiny of records of Provincial Division, Bathinda (Division) revealed (September 2002) that the work of setting up of a refinery at a cost of Rs 22.31 crore at village Phullo Kheri of Bathinda district including acquisition of land was assigned (January 2001) to the Division. The cost of work was to be shared equally by the Hindustan Petroleum Corporation Limited (HPCL) and State Government. The Executive Engineer acquired land valued at Rs 7.52 crore in August 2000. It was noticed that while provision for levying departmental charges at the rate of 12 *per cent* instead of 27.5 *per cent* leviable on the value of work was made in the estimate, no provision for levying departmental charges at 26 *per cent* on the cost of land was included in the estimate.

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

Thus, departmental failure in levying departmental charges of Rs 0.98[1] crore on cost of land and short levy of Rs 1.06[2] crore on the value of work representing HPCL's share resulted in loss of Rs 2.04 crore to State exchequer.

The Executive Engineer stated (December 2002 and January 2003) that departmental charges were not levied on HPCL's share of cost of land in view of decision taken in a meeting held (May 2001) under the Chairmanship of Principal Secretary to the Chief Minister, Punjab and 12 *per cent* rate of departmental charges levied on the value of works was correct in view of instructions of Finance Department issued in August 1990. The reply was not tenable because Finance Department was not represented in the meeting of May 2001 and, therefore, its approval was necessary for remission of departmental charges on cost of land. Further, departmental charges at the rate of 12 *per cent* were applicable only for works executed out of the funds provided by the District Planning Boards.

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1 Rs 7.52 crore ÷ 2 = Rs 3.76 crore x 26 *per cent* = Rs 0.98 crore.

2 Rs 13.73 crore ÷ 2 = Rs 6.865 crore x 27.5 *per cent* = Rs 188.79 lakh (-) Rs 82.5 lakh = Rs 106.29 lakh (Rs 1.06 crore).

The matter was referred to Government in December 2002. Reply is awaited (August 2003).

4.1.2. Ministry of Surface Transport (MOST), now Ministry of Road Transport and Highways (MORT&H), New Delhi sanctioned (April 1992) the work of four laning of National Highway No. 1 from KMs 212.20 to KMs 252.25 under a World Bank aided Project. The project was to be executed by Public Works Department, (Buildings & Roads), Punjab for which three *per cent* agency charges were payable to them. According to the contract, payment to the contractors under each Running Account Bill (Interim Payment Certificate) was to be made by the employer (Department) within 30 days failing which interest at the rate of 1/30th of one *per cent* compounded per day was payable to contractor after expiry of 30 days. The Chief Engineer (CE) was responsible for timely submission of certified bills for authorising payments by Regional Pay and Accounts Officer (RPAO), MORT&H, Chandigarh.

Interest of Rs 1.82 crore paid to contractors on delayed payments, which was attributable to delay in submission of the bills by the Chief Engineer (PWD) to the RPAO, MORT&H were adjusted against the agency charges of the Department

Scrutiny of records of RPAO revealed (March 2002) that the CE failed to adhere to the time schedule of 30 days for submission of bills to RPAO resulting in interest payment of Rs 3.09 crore to contractors on the delayed payments. Since interest had accrued on account of delay by State PWD, MORT&H decided (May 2001) to recover this amount from three *per cent* agency charges payable to PWD. Consequently, Rs 1.82 crore had been adjusted against the agency charges in November 2001.

The delayed submission of certified bills by the CE to RPAO caused loss of Rs 1.82 crore which would increase when balance payment of interest is adjusted against the agency charges.

The matter was reported to Government in August 2002. The reply is awaited (August 2003).

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

4.1.3. The Resident Commissioner, Punjab Bhawan, New Delhi (RC) formulated a proposal to convert about 80 dwelling units of Nabha Estate, New Delhi occupied by the staff of the State Government into a Cultural Centre. The proposal included purchase of 100 flats from Delhi Development Authority (DDA) for providing accommodation to the staff which was accepted (February 1997) by the State Government (Department of General Administration). Against the offer of DDA to provide flats in different localities of Delhi, Punjab Urban Planning and Development Authority (PUDA) on behalf of State Government deposited (September 1997) earnest money of Rs 11.25 lakh with DDA for 100 houses. DDA allotted (July 1998) these flats to Punjab Government at a total cost of Rs 5.47 crore stipulating payment of balance amount of Rs 5.36 crore within 60 days failing which interest was to be charged. Rs 43.76 lakh were deposited (March 1999) with Collector of Stamps, New Delhi for execution of conveyance deed.

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

It was noticed during audit that DDA offered the possession of flats during May 1999 and payments aggregating Rs 5.69 crore[3] (including interest of Rs 21.43 lakh on delayed payment) were deposited with DDA by PUDA between December 1998 and August 1999 repayable by Punjab Government in four annual instalments of Rs 1.53 crore each year along with interest @ 12.75 *per cent per annum* the rate of interest at which PUDA had raised the loan from bank. State Government paid Rs 1.53 crore as first instalment to PUDA in November 1999 and no payment was made thereafter.

On being pointed out in audit (July 2002), the RC requested DDA (September 2002) for cancellation of allotment of flats due to unsuitability of location and to refund the amount or to allot flats at some other convenient place near Punjab Bhawan, New Delhi. DDA cancelled (February 2003) the allotment of these flats and refunded Rs 5.26 crore (May 2003) after deducting Rs 42.63 lakh on account of watch/ ward and cancellation charges.

Thus, injudicious decision of the State Government to acquire flats without ensuring the suitability of location resulted in loss of Rs 3.65 crore (cancellation charges: Rs 42.63 lakh, conveyance deed charges: Rs 43.76 lakh and interest payable to banks through PUDA : Rs 2.79 crore).

The matter was referred to Government in February 2003. Reply is still awaited (August 2003).

INFORMATION AND PUBLIC RELATIONS DEPARTMENT

4.1.4. Government of Punjab issued (March 1995) instructions that advertisements of Government Departments, Boards and Corporations be released to various newspapers through Department of Information and Public Relations (DIPR) at rates fixed by the Government of India, Directorate of Advertisement and Visual Publicity (DAVP) and adopted by the State Government. As per DAVP rate contract with various newspapers, commission at the rate of 15 *per cent* on DAVP rates on all the display advertisements was admissible to the department.

Expenditure of Rs 1.52 crore was incurred by the DIPR during 1997-2002 on advertisements, but the required commission of 15 *per cent* amounting to Rs 22.86 lakh was not availed of

Scrutiny of records (February 2002) of DIPR revealed that an expenditure of Rs 1.52 crore was incurred during 1997-2002 on display advertisements published in newspapers through private agencies (Rs 57 lakh) as well as sending direct to news papers (Rs 95 lakh) without availing 15 *per cent* commission resulting in loss of Rs 22.86 lakh to the department.

On being pointed out, DIPR admitted (October 2002) the facts regarding non-availing of 15 *per cent* commission and stated (April 2003) that DIPR had exempted (March 1984) national papers from the payment of 15 *per cent* commission. The reply was not tenable as it was reiterated (December 1996 and March 1998) by the DIPR that rates of advertisements in the news papers were fixed by DAVP and as per these rates 15 *per cent* discount was admissible on display advertisements in the newspapers. Further, DIPR had no authority to waive off commission agreed to by the newspapers as per rate contract finalised by Government of India.

[3] Cost of flats: Rs 5.47 crore; Interest on delayed payment: Rs 21.43 lakh and Water connection charges: Rs 0.61 lakh.

Thus, due to injudicious decision to exempt national newspapers from allowing 15 *per cent* commission, the department had suffered a loss of Rs 22.86 lakh for which no responsibility has been fixed so far.

The matter was referred to Government in October 2002. Reply is still awaited (August 2003).

PERSONNEL AND ADMINISTRATIVE REFORMS DEPARTMENT

4.1.5. Under the State Treasury Rules, all moneys received by or tendered to any Government servant on account of revenue of the State Government shall be deposited into the treasury/bank on the same day or on the morning of next day at the latest. In January 1998, the Government clarified that receipts of Punjab Public Service Commission, Patiala (Commission) from sale of application forms and examination fee etc. would continue to be deposited under the relevant receipt head of account.

Chairman/Secretary of Punjab Public Service Commission violated financial rules and issued orders to deposit the receipts into separate current bank accounts outside Government account resulting in loss of interest of Rs 20.82 lakh

Audit scrutiny (May 2002) revealed that in violation of the financial rules and instructions of the State Government, Chairman/Secretary of the Commission issued orders (February/June 1998) that the receipts on account of sale of application forms and examination fee etc. may be credited into current accounts of two banks. Notwithstanding that Finance Department also reiterated (May 1999) deposit of receipts into Consolidated Fund, the Commission continued to deposit the receipts in the current accounts. Over the period 1998-2002, Rs 2.23 crore realised on account of sale of application forms and examination fee etc. were deposited in the current bank accounts and were subsequently credited into Government Treasury. The monthly balance in the current account ranged between Rs 1.72 lakh and Rs 70.05 lakh. Injudicious decision of Chairman/Secretary facilitated retention of receipts out of Government account resulting in loss of Rs 20.82 lakh by way of interest on its borrowings from Reserve Bank of India and undue favour to banks.

On this being pointed out, all receipts are now being deposited under the receipt head of account but no responsibility for the loss already sustained by the Government has been fixed so far.

The matter was referred (March 2003) to Secretary, Department of Personnel and Administrative Reforms and Principal Secretary, Department of Finance, Punjab for comments. Reply is awaited (August 2003).

4.2. Fraudulent drawals and embezzlement

EDUCATION DEPARTMENT

The Block Primary Education Officer alongwith Treasury Officer facilitated the embezzlement in disregard of rules

4.2.1. Audit scrutiny (February 2003) of cash book relating to the Block Primary Education Officer (BPEO), Pakhowal (Ludhiana) disclosed that between February 2001 and February 2002, Rs 24.11 lakh were drawn from Treasury against fraudulent salary bills, leave encashment bills and ex-gratia bills etc. The dealing clerk resorted to fraudulent drawals by claiming salary of non-existent employees, double drawal of salary of newly appointed employees, leave encashment of non-existent retirees and *ex-gratia* etc. The BPEO, as DDO, signed the pay bills without verifying the same with the office copies. Further he did not ensure entry of withdrawals from the treasury in the cash book as the treasury schedules were not obtained every month to check the drawals made by his office. The TO failed to check the genuineness of the bills presented to him before passing the bills and thus facilitated fraudulent drawal from treasury. The BPEO has admitted (February 2003) the facts. Neither the matter has been referred to vigilance nor any action has been initiated against the officials so far. The matter was referred to Government (April 2003). Reply is awaited (August 2003).

4.3. Additional cost to State Exchequer

IRRIGATION AND POWER DEPARTMENT

4.3.1. Punjab Government granted Project Allowance (PA) to compensate for difficult living conditions in November 1978 to the staff of Ranjit Sagar Dam Project (RSDP) at Shahpur Kandi. Government assigned (November 1989) the work of examining the stage of development of various project sites for phased reduction or withdrawal of PA to a committee constituted for identifying areas with extremely difficult conditions of living.

Failure to discontinue payment of project allowance to the staff of Ranjit Sagar Dam Project at Shahpur Kandi after completion of dam resulted in extra burden of Rs 13.91 crore

Scrutiny of records in the office of the Financial Advisor and Chief Accounts Officer, (FA&CAO), RSDP revealed (January 2002) that the project was completed and commissioned in March 2001 and Punjab State Electricity Board (PSEB) (a counterpart of the Project) discontinued payment of PA to its employees posted at Shahpur Kandi from May 2001. However, payment of project allowance was continued by RSDP authorities. On enquiry, FA&CAO intimated (October 2002) that proposal for its discontinuance had been submitted (August 2002) to the Standing Committee of Ranjit Sagar Dam Construction Board. FA&CAO also intimated (February 2003) that though Standing Committee had recommended (November 2002) discontinuance of PA henceforth but its disbursement would be stopped after receipt of necessary instructions from the Finance Department of Punjab Government. The Chief Engineer, RSDP also recommended (November 2002) to the Principal Secretary, Irrigation & Power to discontinue the payment of project allowance but it was still being paid.

Thus, failure of the project authorities to take timely action for withdrawal of the PA on the pattern of PSEB entailed extra burden of Rs 13.91 crore on State exchequer from May 2001 to August 2003.

The matter was referred to Government during November 2002. Reply is awaited (August 2003).

4.3.2. To facilitate the acquisition of land by Government for public purposes, a preliminary notification is required to be issued under Section 4 of the Land Acquisition Act, 1894 (Act) which empowers the acquiring department to enter upon the land and a declaration is issued under Section 6 of the Act that the land is needed for a public purpose. In case of urgency, Section 17 of the Act empowers the Government to take possession of any land needed for public purposes even though no award has been made. In such cases, 80 *per cent* of compensation as assessed by the Collector is to be paid to the entitled persons. However, where the compensation so assessed is not paid before assuming possession of land, the amount due is awarded by Land Acquisition Officer with interest from the date of possession.

Additional payment of Rs 2.59 crore due to non-observance of prescribed procedure for acquisition of land

For the construction of reservoir of Chohal Dam, Executive Engineer, Janauri Chohal Construction Division, Hoshiarpur took possession of 136.62 acres of land during July 1993. However, land acquisition proceedings were started in November 1997 when land owners approached the court and Government approved the award for Rs 2.82 crore (January 2002) based on the rates prevailing in April 2000.

Failure of the department to take possession of land in July 1993 without following the prescribed procedure and without making 80 *per cent* payment as per rule resulted in additional payment of Rs 2.59 crore (due to higher price of land: Rs 1.08 crore; consequential interest: Rs 1.19 crore; and solatium: Rs 32 lakh) because according to rates of land prevalent in 1993-94 (as per award announced in June 1996 pertaining to land acquired for Damsal Dam), compensation of Rs 23.22 lakh only was payable.

The Government to whom matter was referred in December 2002 stated (August 2003) that 80 *per cent* payment could not be made to land owners due to paucity of funds. The reply was not tenable because funds for making payments to land owners, when possession of land was taken during July 1993, were not demanded by the department. Reasons for delay in initiating acquisition proceeding were not furnished.

PUBLIC WORKS DEPARTMENT (BUILDINGS AND ROADS BRANCH)

Failure to adopt revised specifications of MORT&H for road surface dressing resulted in avoidable extra expenditure of Rs 30.15 lakh

4.3.3. The Ministry of Road Transport and Highways (MORT&H) advised (November 2000) the application of 10 kgs. bitumen (60/70 grade) and 0.10 cum. of stone chipping of 13mm nominal size per 10 sqm. for road surface dressing in place of 17 kgs. of bitumen and 0.12 cum. stone chipping of 13.2 mm nominal size. The Chief Engineer, Public Works Department (B&R) brought this to the notice of all Superintending Engineers on 4 July 2001 and directed preparation of NITs in future as per revised specifications. The Chief Engineer also stressed that in cases where tenders had already been allotted up to 1st coat of surface dressing but the work had not yet commenced, the same were not to be executed as per existing agreement and rates were to be negotiated with the contractors according to revised specifications. However, in case the contractors did not agree for reduction of rates, the item of 1st coat was to be taken out of the purview of the agreement and work re-allotted after re-tendering as per revised specifications.

Scrutiny of records of three Divisions[4] revealed (August to October 2002) that work of 1st coat surface dressing on 2.98 lakh sqm. of 14 works, for which bitumen required for 1st coat of surface dressing was issued from August 2001 onwards, was executed by using 17 kgs. bitumen and 0.12 cum. of stone chipping per 10 sqm. by ignoring the revised specifications of MORT&H and instructions of Chief Engineer. Thus, due to failure to adopt the revised specifications, 524.910 MT instead of 298.390 MT of bitumen and 3580.68

[4] Rural Works Division, Kapurthala; Provincial Division, Bathinda and R&B Division, Pathankot.

cum. instead of 2983.90 cum. of stone chipping was consumed resulting in extra expenditure of Rs 30.15 lakh.

The Executive Engineers of the Divisions stated (August to October 2002) that works were executed as per agreements executed before the issue of instructions by the Chief Engineer. The plea of the Executive Engineers was not tenable because for implementation of revised specifications, XENs were empowered either to negotiate the rates with the contractors or to resort to re-tendering even where works were already allotted.

The draft paragraph was forwarded to the Government in October 2002. Reply is awaited (August 2003).

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

Due to adoption of incorrect dates for allowing payment at 12 *per cent* in addition to market value of land, extra avoidable payment of Rs 26.90 lakh was made to land owners

4.3.4. To facilitate the acquisition of land by Government for public purposes, a preliminary notification is required to be published in the official Gazette under Section 4(1) of the Land Acquisition Act, 1894 (Act) followed by public notice of the substance of such notification to be given at convenient places in the said locality. Section 23 (1-A) of the Act *ibid* further provides that in addition to the market value of the land, the court in every case shall award an amount calculated at the rate of 12 *per cent per annum* on such market value for the period commencing on and from the date of publication of notification under Section 4 or date of public notice, whichever is later, to the date of award or date of taking of possession, whichever is earlier.

Scrutiny of records revealed (June 2002) that in five cases of land acquisition, the additional amount at 12 *per cent* was allowed from the dates of publication of notifications under Section 4 of the Act in the Gazette instead of from the dates on which public notices were given in the locality. The public notices were given at much later dates and the gap ranged between 25 and 119 days. Adoption of incorrect dates for computing payments admissible to land owners resulted in extra avoidable payment of Rs 26.90 lakh.

The Land Acquisition Collector–cum–Additional Chief Administrator, PUDA, Jalandhar stated (June 2002) that payments were made from the date of publication of notification under Section 4 (1) in respect of such land to the date of award or the date of taking possession of land whichever was earlier. The reply is not tenable as payments were required to be made from the last of the dates viz. date of giving of public notice in the locality.

The matter was referred to Government in August 2002. Reply is awaited (August 2003).

4.4. Idle investment

IRRIGATION AND POWER DEPARTMENT

4.4.1. The project for construction of super passage[5] over Nasrala Choe (Jalandhar Branch) was approved in February 1992 by the Chief Engineer at an estimated cost of Rs 2.75 crore.

Allotment of work without technical sanction of estimate and inadequate provision of funds resulted in idling of investment of Rs 1.96 crore on a super passage since September 2000

Audit scrutiny revealed (May 2001) that tenders for the work were invited during December 1994 on the basis of approved drawings without technical sanction. The work was allotted to a contractor during March 1995 on work order basis without any agreement specifying detailed terms and conditions. The contractor executed work valuing Rs 72.84 lakh by October 1998 when he expressed difficulties in continuing the work at the sanctioned rates because of escalation of cost of material, labour etc. but was willing to execute the remaining work at the prevailing CSR[6]+SP[7]. The Chief Engineer, however, declined (January 1999) the request and ordered finalisation of the bill and re-tendering for the remaining work. His bill was finalised (May 1999) for Rs 72.84 lakh. After re-inviting tenders (April 1999), the residual work was allotted (November 1999) on work order basis to another contractor. Due to paucity of funds, he also left the work incomplete (September 2000) after executing work valued at Rs 18.64 lakh. In addition, Rs 62.49 lakh were directly charged to work representing cost of material issued from stock. Various items of work valued at Rs 42.31 lakh were also got executed during 1995-96 from other agencies/contractors. Approximately, 30 *per cent* work was completed and remaining work was at a standstill as of March 2003 and its completion was uncertain due to financial constraints.

Thus, injudicious action of the Executive Engineer to take up the work without obtaining approvals and ensuring availability of adequate funds coupled with allotment of work on work order basis without entering into contract had resulted in idle investment of Rs 1.96 crore on the incomplete super passage since September 2000.

The matter was reported to Government during October 2001. Reply is awaited (August 2003).

RURAL DEVELOPMENT AND PANCHAYATS DEPARTMENT

4.4.2. For the construction of focal points[8] at various places in the State, Rural Development and Panchayats Department decided (December 1998) to utilise funds of Employment Assurance Scheme equivalent to 50 *per cent* of the estimated cost and balance 50 *per cent* of financial outlay was to be made available by Punjab Mandi Board as share of the State Government.

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[5] Super passage is a structure constructed over the canal for free flow of rain water where FSL of the canal is sufficiently below the bottom of drain trough.

[6] Rates prescribed in 1987 in the Common Schedule of Rates.

[7] Sanctioned premium.

[8] Focal point represents an area developed to revive/intensify traditional rural industries and trades to facilitate development of cottage and small scale industries and includes facilities like community centre, veterinary hospital, shopping centre and auction platform for common use by more than one village.

Action of Panchayati Raj Divisions to take up works of all the focal points without ensuring availability of funds required for their completion resulted in idling of investment of Rs 1.12 crore

Scrutiny of records of Panchayati Raj Divisions, Amritsar, Kapurthala and Gurdaspur revealed (December 2000, November and December 2002) that 19[9] focal points estimated to cost Rs 3.25 crore were proposed for construction against which Rs 2 crore were received by the divisions. Of 18 focal points where the construction was taken up during April 1999, work on four[10] focal points only was completed by incurring an expenditure of Rs 0.75 crore and the remaining works were lying incomplete since October 1999 although expenditure of Rs 1.12 crore was incurred on their construction. The XENs, Panchayati Raj Division, Amritsar, Gurdaspur and Kapurthala stated (April 2003) that works were lying abandoned due to paucity of funds.

The Punjab Mandi Board intimated (June 2003) that it was committed to repair and construction of link roads as per decision of the Government and was not having surplus funds and, therefore, Panchayati Raj Divisions should find another alternative to finance the expenditure for completion of works on focal points.

Thus, action to take up all the works without ensuring availability of funds resulted in idle investment of Rs 1.12 crore.

The matter was referred to Government during December 2002. Reply is awaited (August 2003).

HEALTH AND FAMILY WELFARE DEPARTMENT

Due to non-payment of Rs 8.15 lakh of the final bill to the contractor, the possession of the building could not be taken rendering the expenditure of Rs 5.61 crore unfruitful for more than three years

4.4.3. Under the World Bank Aided Project "India Population Project- IPP VII," Rs 5.98 crore were sanctioned (1992) for the construction of the building of the State Institute of Health and Family Welfare Punjab at Mohali (Institute). M/s National Building Construction Corporation Ltd. Chandigarh (NBCC) were engaged (October 1996) as consultant on a lumpsum fee of eight *per cent* of the final cost of work. The construction work of the building was allotted (February 1997) to an agency by Director, Health Services and Family Welfare, Punjab (Director) at a cost of Rs 4.39 crore with stipulated date of completion as April 1998. Due to increase in scope of work and change in specifications by the Chief Architect, Punjab, the estimates were revised (April 1998) by NBCC to Rs 4.97 crore plus escalation and consultancy charges. The stipulated date of completion was extended upto August 1999 and then upto 31 March 2002.

Scrutiny of records (March 2003) of the Director revealed that out of Rs 5.98 crore allocated by Government of India, Rs 5.44 crore were drawn upto October 1998 and the balance Rs 54 lakh lapsed due to closure of the scheme in October 1998. Out of Rs 5.44 crore, payment of Rs 5.32 crore (including Rs 3.59 lakh on account of interest on delayed payment) was made to NBCC upto April 2000 leaving an unspent amount of Rs 12 lakh with the department. In September 2000, NBCC requested the Director to take possession of the building subject to full and final settlement of the final bill of Rs 5.40 crore. Possession of the building could not be taken due to non payment of Rs 8.15 lakh payable to NBCC, although funds were available.

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[9] Amritsar : 2, Gurdaspur : 13 and Kapurthala :4.

[10] Amritsar : 1 (Basarke) and Kapurthala: 3 (Sidhwan Dona, Khalawara and Marry Pur).

Even without taking possession of the building, the Director deposited Rs 7.37 lakh (March/July 2000) with electricity department as security for power connection of the building and payments aggregating Rs 24.40 lakh (including Rs 2.82 lakh adjusted from security) were made on account of electricity charges. Though possession of building was not taken due to lack of funds, electricity bills were paid.

On this being pointed out, the department stated (June 2003) that possession could not be taken due to non availability of funds. The reply is not tenable as funds were available with the department to make the payment to NBCC.

Thus, due to non payment of an amount of Rs 8.15 lakh on account of final bill, despite availability of funds, which were diverted towards making payment for power connection and electricity charges, the possession of the building has not been taken over so far (August 2003) rendering the expenditure of Rs 5.61 crore unfruitful for more than three years.

The matter was referred to Government in April 2003. Reply is still awaited. (August 2003).

SPORTS AND YOUTH SERVICES DEPARTMENT

4.4.4. Government of Punjab decided (June 1998) to establish the Dashmesh Academy of Martial Sports at Anandpur Sahib (Academy) for imparting spiritual training and training in Martial Arts in various disciplines viz. boxing, equestrian, shooting, wrestling, archery, fencing, kabaddi and gatka etc.

Due to indecision of the State Government to run the Academy, expenditure of Rs 18.72 crore has been rendered unfruitful

Government of India released Rs 15.50 crore during 1998-2000 as loan (70 *per cent*) and grant-in-aid (30 *per cent*) for the establishment of the Academy under the centrally sponsored scheme 'Grants for creating of Sports Infrastructure'. The amount[11] was released to Director of Sports, Punjab (Director) during 1998-2001. As per terms and conditions of loan, repayment was to be made to Government of India in twenty annual equal instalments together with interest at the rate of 12.50 *per cent* per annum commencing from October 1, 1999.

Audit scrutiny (April 2002) revealed that the Director passed on the entire funds to Punjab Urban Planning and Development Authority (PUDA) through the Anandpur Sahib Urban Development Agency (coordinating agency) during 1998-2001 for undertaking the construction of the Academy. The building was completed by PUDA in July 2000 at a cost of Rs 16.50 crore, of which Rs one crore was yet to be paid by Director to PUDA. However, the building has still not been taken over from PUDA as the State Government had not decided as to which authority would run the Academy. This has resulted in unfruitful expenditure of Rs 16.50 crore plus liability of Rs 2.14 crore on account of interest to be paid to Government of India as on September 2002 and payment of electricity charges to the extent of Rs 7.42 lakh to PUDA.

[11] 1998-99: Rs 3.00 crore; 1999-2000: Rs 7.50 crore and 2000-01: Rs 5.00 crore.

On being pointed out (April 2002), Director stated (May 2003) that State Government has not yet taken any decision to start the Academy since the recurring cost for running the Academy would have to be borne.

Due to indecision of the State Government, expenditure of Rs 18.72[12] crore has been rendered unfruitful.

The matter was referred to Government in July 2002. Reply is awaited (August 2003).

TECHNICAL EDUCATION AND INDUSTRIAL TRAINING DEPARTMENT

4.4.5. State Government approved (June 1996) construction of various buildings/blocks of Government Polytechnic for Women at Dina Nagar (Gurdaspur) for Rs 8.05 crore under the Border Area Development Programme. The Director, Technical Education and Industrial Training, Punjab, Chandigarh (Director), without calling tenders, allotted (March 1996) the work to National Building Construction Corporation Ltd (NBCC) with a time limit of six to seven months on the same terms and conditions of the agreement already executed with NBCC in respect of civil works of other Polytechnics and institutions of the department.

Unfruitful expenditure of Rs 5.01 crore on construction of Government Polytechnic for Women at Dina Nagar (Gurdaspur) and Polytechnic at Sultanpur Lodhi (Kapurthala) due to stoppage of work by Government besides undue financial assistance of Rs 2.20 crore to NBCC on account of mobilisation advance not recovered so far

Audit scrutiny (May 2002) of the records of Director revealed that out of Rs 6.67 crore released by Government of India, the State Government released Rs 6.57 crore to the Director during 1995-2000. Of this, Rs 2.25 crore released during 1999-2000 were still lying in the PLA account as per orders of the Government (March 2000). After the completion of about 50 *per cent* work at an expenditure of Rs 4.62 crore[*] including interest free mobilisation advance of Rs 2.20 crore (which was to be adjusted in the last running bill as per terms and conditions of the agreement), the work was at a standstill since 1998 due to some dispute with NBCC. Similarly, the construction work of Polytechnic at Sultanpur Lodhi (Kapurthala) which was entrusted to NBCC in July 1998 was also stopped (March 2001) after completion upto plinth level by incurring an expenditure of Rs 38.70 lakh. It was finally decided by the State Government in December 2001 that the work may be kept pending till a decision is taken regarding all the buildings constructed by NBCC. This resulted not only in unfruitful expenditure of Rs 5.01 crore but also deprived the beneficiaries of the intended benefits.

On this being pointed out, the Director stated (January 2003) that the Government had constituted a high level committee to ascertain the quality of work as well as payments made and to examine the claim of the department and counter claim of the NBCC. No final decision has been taken (August 2003).

Thus, the decision of State Government to stop construction work of the Polytechnics midway resulted in unfruitful expenditure of Rs 5.01 crore

[12] Cost of completion: Rs 16.50 crore; Interest payable to GOI (upto September 2002): Rs 2.14 crore; and Electricity charges payable to PUDA: Rs 0.08 crore)

[*] Including Rs 30 lakh being diverted from machinery side.

including undue financial assistance of Rs 2.20 crore to NBCC as mobilisation advance.

The matter was referred to Government in September 2002. Reply is awaited (August 2003).

4.5. Unfruitful expenditure

PUBLIC WORKS (BUILDINGS AND ROADS BRANCH) AND HEALTH AND FAMILY WELFARE DEPARTMENTS

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

4.5.1. To provide indoor medical care to Employees State Insurance (ESI) workers and their families, the Employees State Insurance Corporation (ESIC), New Delhi approved (July 1984) construction of 50 bedded hospital including residential quarters at Mandi Gobindgarh at an estimated cost of Rs 2.42 crore.

Scrutiny of records of Provincial Division No. II, PWD B&R, Patiala (Division) revealed (September 2001) that the main building and all other works except 18 Nos. quarters were completed by November 1997 at a cost of Rs 2.64 crore. Although the building was forcibly occupied by the commandos of Punjab Police during September 1998 after breaking the locks, which was got vacated during October 2001 and defects noticed during July 2001 were also rectified yet its possession had not been taken as of August 2003 by Director, Health Services (Social Insurance), Punjab.

The Executive Engineer stated (May 2002) that building had not been taken over by the Health Department despite repeated requests since its completion. The Director, Health Services (SI) Punjab intimated (October 2002) that, on the advice of ESIC, the matter regarding running of the hospital by third party was under consideration.

Thus, due to inordinate delay on the part of Public Works Department in completing the building followed by failure of Director, Health Services (SI) Punjab to take over the building and to make the hospital functional, the intended medical facility could not be made available to the ESI workers and their families rendering the expenditure of Rs 2.64 crore as unfruitful.

The matter was referred to Government in July 2002. Reply is awaited (August 2003).

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

4.5.2. Section 28 of Punjab Urban Planning and Development Authority (PUDA) Act provides that PUDA itself or in collaboration with any other agency or through any other agency on its behalf can undertake the work relating to the amenities and services to be provided in urban areas, urban estates, promotion of urban development as well as construction of houses.

Scrutiny of records of Divisional Engineer, Civil (PUDA), Malout (DE) (May 2002) and information collected subsequently (March 2003) revealed that 1.72 acres of land at Malout known as "Edward Ganj Park" was leased to

Suspension of work of construction of commercial complex without assigning any valid reason resulted in infructuous expenditure of Rs 1.99 crore

the District Red Cross Society, Muktsar (DRCS). It was decided by the Government that PUDA would develop the park as a commercial complex and the work was approved for Rs 4.18 crore (April 2001). Divisional Engineer (DE) allotted the work (July 2001) to a firm at a cost of Rs 3.12 crore with a time limit of six months. While the work was in progress, it was decided to suspend it (April 2002) after incurring expenditure of Rs 1.99 crore. Reasons for stoppage of work were not forthcoming. The work had not been restarted (May 2003).

The DE stated (May 2002) that the work was allotted at Chief Engineer level and no agreement was executed between DRCS and PUDA. Thus, action of PUDA to take up the work without executing any agreement with DRCS followed by the decision to suspend it without assigning any valid reasons had rendered the entire expenditure of Rs 1.99 crore as infructuous.

The matter was referred to Government in April 2003. Reply is awaited (August 2003).

PUBLIC WORKS DEPARTMENT (BUILDINGS AND ROADS BRANCH)

Delay in acquiring land for construction of approaches and paucity of funds rendered the expenditure of Rs 62.84 lakh unfruitful on a bridge

4.5.3. Tenders for construction of a "High Level Bridge on Budha Nallah crossing Malikpur–Nurpur Bedi Road" excluding approaches were invited during October 1995 by Executive Engineer, Rural Works Division No. I, Ludhiana (now Construction Division No. II, Ludhiana) before administrative approval. The work was allotted (April 1996) to a contractor at an estimated cost of Rs 41.98 lakh for completion within four months. The work was approved in June 1996 for Rs 55.16 lakh and included provision for approach roads.

The bridge completed in June 2000 at a cost of Rs 62.84 lakh could not be put to use for want of approaches for which land was acquired only in June 2002. The work of construction of approaches had not been allotted so far (August 2003) as the tenders invited in July/August 2002 were postponed due to non-availability of funds. It was also noticed that funds were released annually during 1995-99 but due to slow pace of work and non-acquisition of land, the allocated funds were not fully utilised and had to be surrendered. Thereafter, due to financial constraints, Government decided to get the work completed through funds provided by the Punjab Infrastructure Development Board (PIDB). However, PIDB did not release funds for want of revised administrative approval for which proposal submitted by the Chief Engineer to Government for Rs One crore during January 2002 was awaiting approval (March 2003).

Thus, faulty planning and failure to initiate timely action for acquiring land required for approaches, rendered the expenditure of Rs 62.84 lakh unfruitful besides denial of intended benefit to public as, in the absence of approaches, the bridge completed in June 2000 had not been put to use.

The Executive Engineer attributed (December 2002) the delay in acquiring land to paucity of funds. The reply was not acceptable as funds had been available.

Further, possession of land required for approaches should have been taken by invoking provision of Section 17[13] of the Land Acquisition Act.

The matter was referred to Government in January 2003. Reply is awaited (August 2003).

4.5.4. Audit scrutiny of records of Executive Engineer, Central Works Division, Hoshiarpur (XEN) revealed (July 2001) that the work "Construction of guide *bandh* to High Level Bridge over river Beas at Sri Hargobindpur" was allotted (August 1995) to a contractor at a cost of Rs 5.34 crore for completion within eighteen months without acquiring land (30.68 acres) required for the work.

Allotment of work without acquiring land resulted in unfruitful expenditure of Rs 46.52 lakh on the construction of a guide *bandh* and mobilisation advance of Rs 26.41 lakh remained un-recovered from the contractor

The contractor was granted mobilisation advance of Rs 53 lakh during August 1995. The contractor executed work valued at Rs 46.52 lakh upto May 1997, when he stopped the work because of obstructions caused by the land owners due to non acquisition of their land. Notification and declaration for acquisition of land were, however, issued in July 1997 and November 1997 respectively. Rs 26.59 lakh were adjusted during May 1997 (Rs 13.49 lakh) and July 1999 (Rs 13.10 lakh) against mobilisation advance leaving a balance of Rs 26.41 lakh.

Thus, due to failure of the XEN to acquire land before undertaking construction of guide *bandh,* expenditure of Rs 46.52 lakh had been rendered unfruitful besides non-recovery of Rs 26.41 lakh of mobilisation advance.

The matter was referred to Government in December 2002. Reply is awaited (August 2003).

4.6. Other points

HEALTH AND FAMILY WELFARE DEPARTMENT

Posting of Pharmacists over and above the sanctioned strength and their adjustment against vacant posts of Nursing Sisters/Staff Nurses resulted in irregular payment of Rs 68.79 lakh during the period December 1997 to March 2003

4.6.1. Scrutiny of records (December 2002 to May 2003) of six[14] offices of Senior Medical Officers/Medical Officers revealed that 27 Pharmacists and one Ophthalmic Officer were posted in excess of sanctioned strength and were adjusted against the vacant posts of Staff Nurses/Nursing Sisters as per orders of the Director, Health and Family Welfare (Director) and their pay and allowances were drawn against the latter category of posts. The Punjab Government, Finance Department also observed (January 2001) that numerous employees in Health and Family Welfare Department (Department) were drawing their pay and allowances against other category of posts and directed the Department to discontinue this practice before April 2001. But no action was taken even after issue of these instructions by Finance Department in January 2001 and irregular payment was still continuing (August 2003).

This had resulted not only in irregular payment of Rs 68.79 lakh during December 1997 to March 2003 but also denial of services of nurses to the

[13] Under Section 17 of the Land Acquisition Act, possession of land can be taken after invoking emergency provisions by tendering 80 *per cent* payment of the estimated amount of compensation.

[14] (i) MO, PHC, Budhlada (Mansa); (ii) PHC, Moonak (Sangrur); (iii) SMOs Civil Hospital, Sardulgarh (Mansa); (iv) Maur Mandi (Bathinda); (v) PHC, Sherpur (Sangrur); and (vi) Children and General Hospital, Bathinda.

patients as the duties to be performed by nurses are different from that of Pharmacists.

While admitting the facts the Government intimated (June 2003) that the matter regarding sending such employees to their original places of posting was examined and it has been decided that the question will be considered at the time of general transfers. Further developments are awaited (August 2003).

HOME AFFAIRS AND JUSTICE DEPARTMENT

4.6.2. Financial rules provide that any amount received from other department/ Government for services rendered should be credited to the receipt head of the department concerned.

In March 1999, Executive Director (Vigilance), Food Corporation of India (FCI) requested the Director General of Police, Punjab (DGP) for services of Special Police Officers (SPOs) of the State Police Department (Department) for ensuring security of FCI godowns. The cost of deployment of SPOs at the rate of Rs 70/- per day (revised to Rs 90/- from April 2001) was to be reimbursed by FCI authorities. In addition, FCI was also to pay 15 *per cent* service charges to the Department.

Irregular payment of Rs 2.60 crore was made to Special Police Officers (SPOs) due to injudicious orders of Director General of Police, Punjab to pay them 15 *per cent* service charges

In June 2000, DGP clarified that SPOs deployed on the security of FCI godowns/depots shall also be paid 15 *per cent* service charges in addition to the daily wage and accordingly 15 *per cent* service charges were paid to them. However, as service charges are in the nature of establishment charges, payment of the same without approval of Finance Department was irregular.

Test check of records (June 2002 and June 2003) of 18 SSPs[15] revealed that irregular payment of Rs 2.60 crore on account of service charges has been made between April 1999 and March 2003. However, SSPs Ludhiana and Ropar did not pay the service charges to SPOs and deposited the amount into the treasury under the receipt head.

On this being pointed out by Audit (October 2002), the DGP took up the matter (December 2002) with the Government for approving payment of service charges and simultaneously issued instructions (February 2003) to all the SSPs not to make payment of 15 *per cent* service charges to SPOs and deposit these in the receipt head of the department till a clarification is received from Government. The Government directed (May 2003) the DGP to stop payment of 15 *per cent* service charges to SPOs pending approval of the Finance Department which was still awaited (August 2003).

The matter was referred to Government in October 2002. Reply is awaited (August 2003).

[15] Ferozepur, Kapurthala, Majitha, Moga, Tarn Taran, Hoshiarpur, Gurdaspur, Jalandhar, Amritsar, Batala, Patiala, Khanna, Fatehgarh Sahib, Mansa, Faridkot, Bathinda, Muktsar and Sangrur.

SOCIAL SECURITY AND WOMEN AND CHILD DEVELOPMENT DEPARTMENT

4.6.3. Under the 'Old Age Pension Scheme' 1968, Punjab Government grants pension to old people of Punjab domiciled and living in the State for more than three years at the time of submission of application. Men and women who are at least 65 years and 60 years respectively and whose monthly income was less than Rs 500/- (raised to Rs 1,000/- in July 1997) were eligible for grant of old age pension; where both husband and wife are beneficiaries their monthly income should not be more than Rs 750/- (raised to Rs 1,500/- in July 1997).

Due to ineffective control and failure of the officers/ officials to scrutinize the eligibility of persons before granting old age pension, irregular payment was made to ineligible persons

Applications for pension were to be duly attested by Nambardar/Sarpanch/ Municipal Councilor concerned who was personally responsible for the correctness of particulars and countersigned/recommended by Tehsildar/Sub Divisional Magistrate (SDM)/Block Development Panchayat Officer (BDPO) after verification of facts.

As the number of beneficiaries of old age pension increased abnormally by 54 and 77 *per cent* during 1997-98 and 1998-99 respectively, Punjab Government directed (October 1999) all the Deputy Commissioners to conduct 100 *per cent* verification. As a result, 1,92,319 ineligible cases were detected mainly due to (i) excess income (ii) under age (iii) excess holding of land (iv) husband in service (v) sons in job/working abroad (vi) death of beneficiary etc.

Department confirmed 42,907 ineligible cases in seven districts[16] involving undue payment of old age pension of Rs 16.71 crore during the period April 1996 to June 1999.

Even after the verification conducted by the department, Audit in a test check in six out of these seven districts noticed (August 2001/May 2002) 4,671[17] cases of old age pension being given to ineligible persons due to non verification of land/excess land, under-age/tampering of age, excess income/income not verified, getting second pension from Government service, without recommendation, different names/signatures etc. The total irregular payment to ineligible persons on this account comes to Rs 4.26 crore during the period 1996-2003.

On this being pointed out (May 2002), the Government stated (September 2002) that legal action against defaulting officers/officials of Amritsar district was being taken. No action had been initiated in other districts. It was also stated that necessary instructions have been issued for effecting recovery. Final recovery was however, awaited (August 2003).

[16] Amritsar (13,672 cases)–Rs 8.11 crore; Faridkot (2,219 cases)–Rs 0.85 crore; Hoshiarpur (13,390 cases)–Rs 3.22 crore; Jalandhar (3,764 cases)–Rs 0.91 crore; Kapurthala (1,715 cases)–Rs 0.47 crore; Patiala (2,396 cases)–Rs 0.83 crore and Ropar (5,751 cases)–Rs 2.32 crore.

[17] Amritsar (2,551 cases)-Rs 2.23 crore; Faridkot (196 cases)-Rs 0.22 crore; Hoshiarpur (122 cases)-Rs 0.11 crore; Jalandhar (798 cases)-Rs 0.73 crore; Kapurthala (496 cases)-Rs 0.46 crore and Ropar (508 cases)-Rs 0.51 crore.

Thus, due to failure of the officers/officials of the department to scrutinise the eligibility of persons before granting pension, undue payments were made to ineligible persons.

CHANDIGARH	**(Y. C. SATYAWADI)**
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Countersigned

NEW DELHI	**(VIJAYENDRA N. KAUL)**
The	**Comptroller and Auditor General of India**