CHAPTER-III

Performance Reviews

This chapter presents five Performance Reviews covering National Bank for Agriculture and Rural Development assisted projects, Pradhan Mantri Gram Sadak Yojana, Indian Systems of Medicine and Homoeopathy, Implementation of the Child Labour Act and Release and recovery of incentives and dues from Industrial and other units. The regulatory role of Government of Punjab was reviewed in the implementation of Child Labour (Prohibition and Regulation) Act. Reviews on Pradhan Mantri Gram Sadak Yojana and Indian Systems of Medicine and Homoeopathy have also been prepared separately for the reports of Union Government and State focus has been isolated for comment in this report.

3.1. National Bank for Agriculture and Rural Development assisted development projects

Highlights

PUBLIC WORKS DEPARTMENT (BUILDINGS AND ROADS BRANCH)

With a view to provide better and improved communication facilities in the rural areas the Department, with the assistance of National Bank for Agriculture and Rural Development (NABARD), constructed interconnecting roads and bridges and also widened and strengthened the existing roads in the State. The works were executed by the State Public Works Department – Buildings and Roads Branch (PWD, B&R). A review in audit revealed that non-release of NABARD funds by the Government, preparation of defective estimates and improper planning delayed the completion of the works. The department also had to pay extra/avoidable escalation charges and suffer revenue loss.

- ***Of loan assistance of Rs 223.77 crore given by NABARD, funds totalling Rs 56.59 crore were not released by Finance Department resulting in delay in completion of works besides creation of a liability of Rs 25.51 crore.***

(Paragraph 3.1.7)

- ***The State Government did not release its share of Rs 14.52 crore which resulted in delay in completion of works.***

(Paragraph 3.1.8)

- ***Letter of Credit for Rs 10.64 crore was not entertained by Treasury Officers concerned resulting in delay in completion of works.***

(Paragraph 3.1.9)

- ***Incorrect fixation of schedule of payment due to non-preparation of detailed estimates in time resulted in undue financial aid to contractors by way of advance payment of Rs 9.70 crore.***

(Paragraphs 3.1.22 & 3.1.23)

- ***Non-construction of Toll Plaza led to non-collection of toll tax of Rs 1.41 crore.***

(Paragraph 3.1.27)

- ***Re-strengthening of a road prematurely resulted in wasteful expenditure of Rs 2.26 crore.***

(Paragraph 3.1.29)

- ***The Department failed to recover Rs 2.14 crore on account of decrease in quantities of work consequent upon change in design resulting in less consumption of material on works.***

(Paragraphs 3.1.24 to 3.1.26)

- ***Government receipts amounting to Rs 1.01 crore were not deposited in Government account.***

(Paragraph 3.1.10)

Introduction

3.1.1. To strengthen the road infrastructure in rural areas through widening/ four laning of roads and construction of bridges, the State Government entered into an agreement (from 1998-99 onwards) with NABARD for loan assistance to be sanctioned under Rural Infrastructure Development Fund (RIDF). RIDF I and II were sanctioned to Irrigation Department and III to IX related to PWD, B&R. As per sanctions issued by NABARD, the State Government was to ensure utilisation of NABARD funds solely and exclusively for the purpose for which these were sanctioned. Projects were to be executed/ completed within such periods as stipulated in the respective sanctions.

3.1.2. Organisational set-up

NABARD assisted works were executed through 32 divisions each headed by an Executive Engineer (EE), under the supervision of 13 Superintending Engineers (SEs) who were reporting to the Chief Engineer. A SE-cum-Nodal Officer was appointed to supervise the NABARD works. He reported to CE (IP) for matters pertaining to construction of bridges and to CE (PWD, B&R) for those of roads. The Secretary, PWD, B&R was over all incharge.

Programme objectives

3.1.3. To provide better and improved communication facilities in the rural areas with the assistance of NABARD under the RIDF, the programme envisaged:

- construction/upgradation of interconnecting roads and bridges, and
- widening and strengthening of the existing roads.

Audit objectives

3.1.4. The objective of Audit during the review of the programme was mainly to see that:

- the objectives of NABARD's assistance were achieved,
- loan received from NABARD was utilised for the purpose for which it was sanctioned,
- departmental rules/instructions issued from time to time had been observed,
- works were completed as per schedule and specifications so that no extra payment had to be made and
- proper monitoring system for implementation including quality control of various works existed.

Scope of Audit

3.1.5. Records of nine[1] divisions (out of 32 divisions) in respect of assistance received under RIDF, CEs (South and Electrical) and SE-cum-Nodal officer for the period 2001-04, were reviewed during the period from October 2003 to March 2004.

Financial outlay and expenditure

3.1.6. As per programme, loan assistance to the extent of 80 to 90 *per cent* of the Project was to be provided by NABARD and the remaining 10 to 20 *per cent* was to be met by the State Government. On sanction of loan, 10 to 30 *per cent* of the project cost was to be released by the NABARD as advance to the Finance Department, being the Nodal Department and balance was to be reimbursed on the submission of quarterly expenditure statements. Assistance so received was to be regulated by the CE through Letter of Credit (LOC).

The fund flow position of this scheme for the period 2001-2004 was reviewed in audit and it was observed that the State Government failed to release NABARD funds and short release its own share of funds. This was further compounded by non-passing of bills by the Treasury Officers despite availability of funds, utilisation of NABARD funds for non-NABARD works and not honouring of LOC released by the CE at the District Treasuries. All the above led to short receipt of funds with the implementing agencies which had adverse impact on execution and timely completion of various projects as discussed as follows:

1 Provincial Division, Ferozepur, Gurdaspur Central Works Division III, Ludhiana, Construction Division Barnala, Faridkot, Ferozepur, I Mohali, Patiala and Sirhind.

Non-release of NABARD funds by State Government

3.1.7. During the period 2001-04, total amount of Rs 223.77 crore was released as loan assistance by NABARD against which the State Government released only Rs 167.18 crore for execution during this period. Thus, an amount of Rs 56.59 crore, though received from NABARD, was not released by State Government. This was despite the fact that as on 31 March 2004, an amount of Rs 25.51 crore was reflecting liabilities against NABARD works in 28 divisions. Reasons for non-release of funds by the State Government were not intimated (August 2004).

Short release of State share of funding against the scheme

3.1.8. An aggregate amount of Rs 14.52 crore pertaining to RIDF-VIII (Rs 5.91 crore) and RIDF-IX (Rs 8.61 crore) was not released by the Government as its share. While projects undertaken upto RIDF-VIII had already been completed, projects under RIDF-IX were under implementation. It was further observed that State share under RIDF-III to VII was released in one go in the year 2002-03 amounting to Rs 24.71 crore although the projects under these funds had commenced from 1998-99. Failure to ensure timely release of the State share had adverse effect on the funds flow and therefore on the project implementation. Reasons for short release of State share were not intimated (August 2004).

Non-passing of bills by Treasury and diversion of NABARD funds

3.1.9. Scrutiny in audit revealed that in four[2] divisions, an amount of Rs 2.39 crore was diverted by the divisions for works, which were not included in projects that were to be funded by NABARD. It was also observed that LOCs amounting to Rs 10.64 crore, though released by CE to 12[3] divisions, were not honoured by respective District Treasury Officers. No reasons for the same were intimated (August 2004).

Irregular utilisation of Government receipts towards expenditure

3.1.10. Rules provide that Government receipts collected should immediately be deposited into Government account.

Government receipts (Rs 1.01 crore) were not deposited in Government account as required

In violation of this, Rs 1.01 crore realised by Provincial Divisions, Gurdaspur and Ferozepur on account of interest on mobilisation advances were not deposited into Government account and the same were utilised towards expenditure.

When this was pointed out (January and February 2004), EEs stated that amount had been utilised on the works as financial assistance from NABARD as well as funds from State Government had not been received in full and the amount would be adjusted on receipt of funds. The reply of the EEs was not

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2 Construction Division, Barnala, Faridkot, Ferozepur and Mohali – I.

3 Construction Division, Amritsar, Bathinda, Faridkot, Ferozepur,Gurdaspur, Hoshiarpur, Jalandhar, Mukatsar, Nawanshahar, Provincial Division, Ferozepur, Gurdaspur and Central Works Division No. III, Ludhiana.

tenable as utilisation of Government receipts towards expenditure was not permissible.

Performance of the Programme

3.1.11. Physical progress of different components of the projects was as under:

Roads					
Name of the Scheme	**No. of Works**	**Scheduled date of completion**	**No. of works completed**	**Shortfall (No. of works)**	**Percentage of Shortfall**
RIDF V	89	31.3.2002	77	12	13.48
RIDF VII	129	31.3.2003	114	15	11.63
RIDF VIII	36	31.3.2004	19	17	47.22

Bridges					
Name of the Scheme	**No. of Works**	**Scheduled date of completion**	**No. of works completed**	**Shortfall (No. of Works)**	**Percentage of Shortfall**
RIDF V	6	31.3.2002	2	4	67
RIDF VI	3	31.8.2002	--	3	100
RIDF VII	5	31.3.2004	2	3	60

RIDF-V and VII pertained to both roads and bridges whereas RIDF-VI pertained to bridges only and RIDF-VIII pertained to roads only. However, RIDF-IX, which pertained to roads, was under process.

Shortfall in completion of road works with reference to scheduled dates ranged between 12 and 47 *per cent* and in respect of bridges, it ranged between 60 and 100 *per cent,* during 2001-03.

Reasons for shortfall in achievements were attributed to short receipt of funds from State Government.

Preparation of inflated project estimates

3.1.12. Project estimate should be prepared after proper survey and with accurate cross section/dimensions. Against the projected estimated cost of Rs 17.01 crore in respect of 15 works in five divisions, works were got completed at a cost of Rs 13.21 crore. It was observed in audit that inflated project estimates led to excess availability of funds which resulted not only in execution of items that were not provided in works but also consumption of material in excess of requirements. This also obviated the need for obtaining revised administrative approval of the Government and sanction of NABARD since, in none of the 296 works, revised administrative approval/sanctions were necessitated on account of the above. A few of these illustrative cases are given in ***Appendix-XXI***.

Deficiencies noticed in the construction of bridges

3.1.13. A review of implementation and execution of works undertaken with the assistance of NABARD for construction of bridges revealed deficiencies in planning, extra payments due to incorrect grant of time extension, undue aid to contractor due to faulty fixation of payment schedule and extra payment due to change of design etc. as discussed below:

Improper Planning resulting in non-utilisation of bridges

3.1.14. To provide traffic facilities to the public with reduced distance of 53 kms from Mukerian to Gurdaspur, Bridge 'A' over river Beas was completed in August 2003 at a cost of Rs 21.21 crore. However, the existing road from Mukerian to Gurdaspur connecting the bridge from both sides, which was a village road, was neither included in the project nor upgraded. As such, the public could not get the complete benefit commensurate with the newly created infrastructure of the bridge.

The Department stated (January 2004) that the work of upgradation of road had been allotted in May 2002 under the financial assistance of PIDB but due to non-finalisation of design of crust thickness, the upgradation of road could not be completed.

3.1.15. Similarly, to reduce the traffic distance of 88 kms between Nakodar and Jagraon, the work of construction of Bridge 'B' over river Sutlej (Nakodar-Jagraon road) alongwith approaches was completed and opened to traffic on 15 September 2003. The work of improvement of existing village roads connecting the bridge from both sides, however, had not been completed (March 2004) although financial assistance for construction of bridge and improvement of existing road was approved by NABARD in January 2001 itself. The work on Nakodar side was executed upto only 50 *per cent* upto the end of March 2004. Thus, due to improper planning of the department in not getting the improvement of road works done side by side, even when it was financially sanctioned in January 2001, the public could not derive (upto March 2004) the complete benefit commensurate with the newly created infrastructure of the bridge.

Due to improper planning of the Department not to get the roads improved, the people were deprived of the intended benefit of the bridges

Extra payment of escalation

3.1.16. As per agreement, the price adjustment would apply for the work done after nine months from the date of start upto the end of the initial intended date of completion or extensions granted for reasons not attributable to the contractor. Any variation i.e. increase or decrease in the scope of work would be regulated as per Schedule II in so far as payments/recoveries were concerned. PWD Rules also stipulate that no work should be started unless detailed estimate was technically sanctioned. Liquidated damages at the rate of 1/2000 of the initial contract price per day subject to maximum of the 10 *per cent* of the contract value was leviable in the event of failure of contractor to observe the time schedule of completion.

A review of three of the bridges undertaken with NABARD funds was done in audit. The details of contracts and stipulated dates of completion are given in table as follows:

(Rupees in crore)

	Name of Work/ Bridge	Dates of allotment/ completion of work as stipulated in agreement	Lump sum contract value	Value of work on which price adjustment was payable		Escalation			
				For first nine months -Nil	Payable after nine months to scheduled dates	Payable as per agree-ment upto March 2004	Actual paid upto March 2004	Extra paid	Extra to be paid on the completion of work
A	H/L Bridge over river Beas, Gurdaspur Mukerian road	15.5.01/ 14.8.02	31.90 (reduced to 29.98 due to decrease in length of Guide Bunds)	18.89 (63 *per cent* value of work)	11.09 (37 *per cent* value of work)	0.40	0.61	0.21	0.75
B	H/L Bridge over river Sutlej Jagraon Nakodar road	11.5.01/ 10.8.02	39.80 (reduced to 37.85 due to decrease of length of Guide Bunds)	23.85 (63 *per cent* value of work)	14.00 (37 *per cent* value of work)	0.51	1.27	0.76	1.37
C	H/L Bridge over Sutlej including small bridges Machhiwara Rahon road	14.2.01/ 13.8.02	31.85 (reduced to 26.49 due to decrease in length of Guide Bunds and change of design)	13.24 (50 *per cent* value of work)	13.25 (50 *per cent* value of work)	0.52	0.57	0.05	0.79

Improper grant of extension

3.1.17. In respect of construction of High Level Bridge over river Beas on Gurdaspur-Mukerian road (Bridge-A), the contractor applied (March 2002) for extension for completion of work on grounds of start of rainy season immediately after the allotment of work, dense foggy season and flood in river etc. However, the Project Engineer (PE) attributed the delay in completion to non-deployment of adequate men and machinery at site and improper planning in the execution of work. Further, PE recommended that application for extension should be rejected and liquidated damages be imposed. The Technical Committee, however, granted (August 2002) extension in time upto 15 July 2003.

3.1.18. Extension in time was also sought (February 2002) by another contractor for completion of work "Construction of High Level Bridge over Sutlej on Jagraon-Nakodar road" (Bridge-B) which was similar in nature as Bridge 'A', exactly on similar grounds. Here also the Technical Committee granted (August 2002) extension upto 15 July 2003.

3.1.19. The reasons for request for extension of time were covered under normal situations of work as had been envisaged in the contract itself and therefore, did not appear to merit extension, especially in the case of Bridge 'A', where the field incharge of the operations had opined against grant of extension. Reasons for grant of extension by the Technical Committee on the ground of public interest, therefore, were not convincing. Such extension led to payment of extra escalation of Rs 97 lakh upto March 2004. In addition, the contractual clause of liquidated damages of Rs. 6.79 crore (Bridge A : Rs. 3 crore and Bridge B: Rs. 3.79 crore) could also not be levied.

Abnormal delay in finalisation of design of guide bunds etc. resulted in avoidable payment of escalation of Rs 5.17 lakh which will go up to Rs 79.21 lakh

3.1.20. The execution of work "Construction of High Level Bridge over river Sutlej including small bridges on Machhiwara-Rahon road" (Bridge-C) was delayed despite timely submission of design and drawings by contractor for guide bunds and bearings of the bridges. The same were approved only after a delay of 15 months by the department. The abnormal delay in approval of designs necessitated extension which resulted in avoidable payment of escalation of Rs 5.17 lakh upto March 2004 which will further increase to Rs 79.21 lakh on the completion of work.

3.1.21. At the time of grant of extension in time allotment in respect of all three bridges, the Technical Committee froze the price index for future payment of escalation as on 14 August 2002, 10 August 2002 and 13 August 2002 respectively i.e. stipulated dates of completion.

Instead of regulating the payment of price escalation as per the stipulation of Technical Committee it was observed in audit that the price escalation was released after considering the average price index of the four weeks of August 2002, which resulted in overpayment of escalation to the tune of Rs 11.24 lakh upto March 2004.

On being pointed out (February 2004), the PE, Central Works Division No.III, Ludhiana stated (February 2004) that appropriate action was being taken. No reply was furnished by the PEs of other two divisions (August 2004).

Undue aid to contractor

Incorrect schedule of payment due to non-preparation of detailed estimate resulted in advance payment of Rs 3.70 crore

3.1.22. Work of Bridge 'A' was allotted to the lowest tenderer at the lump sum cost of Rs 31.90 crore against the rough estimated cost of Rs 24.60 crore which was stated (February 2004) by the Project Engineer to have not been assessed properly. Cost of work was subsequently reduced to Rs 29.98 crore as length of guide bunds was reduced from 2916 metres to 2360 metres. Time schedule of payment was fixed as 53 *per cent* for the construction of bridge portion, 15 *per cent* for approach roads and 32 *per cent* for guide bunds. Accordingly, the payment of Rs 21.21 crore was made on the completion (August 2003) of bridge and approaches. Further, on the preparation of detailed estimate (December 2003) for Rs 34.88 crore, the payment schedule was fixed as 40.36 *per cent* for the construction of bridge, 15.31 *per cent* for approaches and 44.33 *per cent* for guide bunds. Accordingly, on the completion of bridge and approaches, payment of Rs 16.69 crore should have been made instead of Rs 20.39 crore. This resulted in advance payment of Rs 3.70 crore rendering undue financial aid to contractor and causing loss to Government by way of interest. This amounted to Rs 22 lakh from October 2003 to March 2004 (calculated at the rate of 12 *per cent* per annum, the rate at which mobilisation advance was released).

As this was a lump sum contract, higher payment in the component in bridge and approach road was to get offset by lower payment in the component of guide bunds. However, the work of guide bunds was not initiated as of March 2004. This resulted in undue benefit to the contractor and loss of interest to the Government.

PE stated (February 2004) that it was not possible to evaluate the cost unless the detailed estimate was prepared in the initial stage but minor variations in the break up have no effect on the total lump sum cost. The reply was not acceptable as allotment of work at a lump sum cost in the absence of detailed estimate resulted in advance payment of Rs 3.70 crore. Commencement of work without sanction of detailed estimate was also in violation of PWD Rules. No comments from CE (IP) have been received (August 2004).

3.1.23. Against rough estimated cost of Rs 24 crore of Bridge 'C', the lowest tender received was of Rs 31.85 crore. When the tendering committee enquired about the higher rates, the PE stated (October 2000) that the rough estimated cost could not be assessed properly because against the required provision of Rs 12.15 crore on account of guide bunds, a provision of Rs six crore only was made. Accordingly, the work of bridge pitching guide bunds with concrete was allotted (February 2001) at the tendered lump sum cost of Rs 31.85 crore with the schedule of payment as 67 *per cent* for bridge, 5.50 *per cent* for approaches and 27 *per cent* for guide bunds and miscellaneous 0.5 *per cent* against the demanded schedule of payment as 41.90 *per cent* for bridge, 2.60 *per cent* for approaches and 53.50 *per cent* for guide bunds by the contractor and the payments were made to the contractor on the tendered cost of Rs 31.85 crore.

Further, as a result of reduction in the length of guide bunds to 2440 metres from 3272 metres and to change (May 2002), the design of the guide bunds with stone boulders instead of concrete, the lump sum payable cost was reduced to Rs 26.49 crore.

Non-acceptance of payment schedule offered by contractor and preparation of defective estimates followed by defective schedule of payment, resulted in advance payment of Rs six crore

During audit, it was noticed that on the completion of only bridge portion to the extent of 75 *per cent*, the contractor had been paid Rs 14.30 crore against Rs 8.34 crore calculated as per schedule of payment offered by the contractor. Thus, due to allotment of work on the basis of unrealistic rough cost estimate in the absence of detailed estimate, followed by defective schedule of payment Rs six crore were paid in advance upto March 2004.

On being pointed out (March 2004) in audit, the PE stated that payments were being made as per provisions of agreement. Reply was not acceptable because allotment of work in the absence of detailed estimates followed by defective schedule of payment resulted in advance payment to the contractor and had the provisions of PWD Code been followed, situation of commencement of work without preparation of detailed estimates could have been avoided.

Extra payment due to non-adoption of change in designs

3.1.24. Based on tenders invited in March 2001, the work for Bridge-'A' having specification IRC 78-1983 with amendment, if any, was allotted to a contractor at a cost of Rs 31.90 crore in May 2001. The contractor after approval of General Arrangement Designs (GAD) of the bridge revised the design of the bridge and reduced the steining[4] thickness of the wells above scour level. The revised design was approved (June 2001) by the Chief Engineer (IP) with the observations that "Rebate shall be secured for any variation from DNIT/agreement provisions". This was approved by the Technical Committee in their meeting held on 10th July 2001. Accordingly, Rs 60.83 lakh were deducted on account of less consumption of steel and concrete from their bill in July 2002, but later the amount so deducted had been incorrectly refunded in April 2003.

Incorrect application of the IRC amendment resulted in extra payment of Rs 60.83 lakh

The PE stated (March 2004) that the agency had revised the design based on Indian Road Congress (IRC) amendment IRC 78-2000 which was published in December 2000 and was applicable to works allotted after amendment. As such, therefore, no financial adjustment was applicable. He further stated that in the Review Committee meeting held in April 2003, Managing Director, (MD), PIDB advised the PE to release the deduction made by him on account of reduction in well steining pending decision regarding date of publication/ applicability of IRC code. The reply of the PE was not acceptable as the amendment though published in December 2000, was circulated by the IRC for implementation in May 2001 and as such it was not applicable to the work allotted before circulation as tenders were invited (March 2001) based on IRC 78-1983 as amended and the contractors had tendered their lump sum rates accordingly. The decision of MD, PIDB in the meeting of Review Committee referred to was of advisory nature that payment be released till a final decision of applicability of IRC code is known. In the light of observation of MD, PIDB, the department should have expeditiously checked up the date from which revised standards of IRC have come into effect. In the absence of any such clarification with regards to date of applicability of the IRC code, refund of deductions already made was not in order.

Recovery of Rs 82.34 lakh on account of less consumption of material due to change in design as required, was not made

3.1.25. Similarly, the design of the well of Bridge 'B' had also been changed on grounds similar to those of Bridge 'A'. Recovery of Rs 82.34 lakh on account of less consumption of steel and concrete on 23 wells @ Rs 3.58 lakh per well had not been effected.

Recovery of Rs 70.95 lakh was not made on account of material cost due to change in design

3.1.26. As per estimate/drawings included in the DNIT, Bridge 'C' having length of 717 metres to be constructed on river Sutlej with steining of 18 wells, was allotted (February 2001) to a contractor at lump sum cost of Rs 31.85 crore. However, later on the design of the bridge was approved with steining of 16 wells but the recovery of Rs 70.95 lakh (computed on the basis of payment made for the wells) on account of reduction of two wells after adjustment of extra loading on slabs was not effected. Records with the division did not indicate that consequent to change in design, exercise to work out increase/decrease in quantity of material and rates with reference to Schedule-II was carried out.

The PE did not dispute (March 2004) the point of change of design and figures and stated that the agency can change the length of span to the extent of 20 *per cent*. The reply is not tenable because if the length of span can be

[4] Steining: shall be brick work, stone masonry, or precast concrete blocks or segment or cast *in situ* concrete as may be specified and will be executed to the relevant standard specifications for the masonry specified.

increased/decreased even then the savings on account of two wells after adjustment of extra expenditure of slabs was to be recovered as per provisions of the agreement.

Loss of revenue

3.1.27. Project reports of all the three bridges included the provision of construction of 'Toll Plazas' for levy of toll tax. The Chief Engineer (IP) directed (June 2002) the PEs to prepare systematic planning so that toll plazas may be constructed at the time of undertaking construction of bridges, for levy of toll tax.

Non-construction of Toll Plazas resulted in loss of revenue of Rs 1.41 crore as no toll tax could be levied/collected

Bridges 'A' and 'B' were completed in August and September 2003 respectively and opened to traffic but neither were toll plazas constructed nor was any toll tax levied/collected. This resulted in loss of revenue of Rs 1.41 crore (computed on the basis of traffic census carried out by Department in December 2003 and October 2003 for Bridges 'A' & 'B' respectively) from October 2003 to March 2004.

Deficiencies noticed in construction of roads

3.1.28. A review of the works pertaining to the construction of roads revealed deficiencies such as wasteful expenditure on the restrengthening of roads and irregular payment of price escalation as follows:

Wasteful expenditure due to premature carpeting of roads

3.1.29. As per PWD specifications, subsequent coats on the road shall be laid after an interval of five years. NABARD had also pointed out (November 2003) that the work of upgradation or otherwise carried out under different schemes on the roads proposed during last five years should be shown with specifications and cost of upgradation at the time of submission of Project for sanction.

Patiala-Pehwa Road Km Three to Km 36.40 was strengthened with Bituminous Macadam (BM), stone metal to Water Bound Macadam (WBM) etc. under HUDCO Bond scheme, at a cost of Rs 2.26 crore during 2000-01.

Although, this section of road was ineligible for assistance by NABARD, having been strengthened only three years earlier, it was included in the project for sanction by NABARD and in the estimate prepared during 2003-04, on the grounds that it was undulatory and cracked. The total length of the road i.e. Km Three to 36.50 was re-strengthened at a cost of Rs 4.86 crore under RIDF-VIII during the year 2003-04.

Re-strengthening of road before prescribed period of five years resulted in wasteful expenditure of Rs 2.26 crore

The mandatory requirement of status of previous carpeting was also not mentioned in the project at the time of sanction. This resulted in wasteful expenditure of Rs 2.26 crore spent on strengthening of the road during 2000-01.

On being pointed out (December 2003), no reply was furnished (August 2004).

Incorrect payment of price escalation

3.1.30. The work of improvement of old Morinda-Ropar road under RIDF-V scheme was allotted to a contractor in October 1999 with a time allotment of three months but the work was completed after 13 months in November 2000. The contractor was paid escalation of Rs 12.85 lakh in February-April 2001 on the ground that the material could not be supplied to the contractor by the division due to shortage of funds. Due to non-release of funds, extra payment of escalation of Rs 12.85 lakh was made.

Non-receipt of utilisation certificates/actual payees receipts (APRs)

3.1.31. Utilisation Certificates/APRs in respect of disbursement of Rs 1.77 crore for acquisition of land, testing charges, inauguration charges made to Land Acquisition Officers, Sub Divisional Magistrates and Director, Research Institute, made between April 2001 and February 2003, had not been received (March 2004) in the absence of which authenticity of expenditure having been incurred for the stated purpose could not be verified.

3.1.32. Monitoring

To watch the execution of works as per programmes/ specifications/ provisions of agreement, proper monitoring of the execution of work at regular intervals as well as on the completion of work at various levels was necessary. However, Audit noticed that due to lack of proper monitoring of execution of works, the following irregularities occurred:

- The quality of aggregates of each quarry differs. As provided in the DNIT/agreement, Bituminous Macadam (BM) work shall be got done after getting the Job Mix Formula approved from Government or authorised laboratory. Further, to ensure the quality of work and to check the correctness of consumption of mix, density checks are to be carried out.

  BM costing Rs 2.57 crore was laid without getting the job mix formula approved contrary to provisions of agreement

  In 10 works of four [5]divisions, 30242 MT BM was laid at a cost of Rs 2.57 crore without job mix formula having been got approved from Government or approved laboratory and without carrying out density checks, in contravention of provisions of DNIT/agreement.

- PWD specifications provide that surface dressing shall not be carried out in winter season, as the required temperature of mix cannot be maintained.

  In six works of two[6] divisions, on 73088 sqm area, BM & PC of value of Rs 43.85 lakh had been laid during the month of December 2000 and January 2002 contrary to the provision of specifications.

- PWD specifications also provide that subsequent layer of stone metal to WBM, shall be laid after an interval of two weeks so that the wet contents of the surface may dry.

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[5] Construction Division, Barnala, Faridkot, Ferozepur and Mohali-I.
[6] Construction Division Faridkot and Mohali.

In three works of two[7] divisions, on 3044 cum, two layers of stone metal to WBM had been laid at a cost of Rs 22.89 lakh in one spell in disregard to rules.

Delayed/non appointment of Quality Control Consultant (QCC)

3.1.33. As per contract agreement, for all works exceeding Rupees two crore, the contractor was to engage a competent and independent quality control consultant approved by Superintending Engineer incharge of work, to exercise effective control over the construction/operation in field so as to produce quality works. Further, in case the contractor failed to employ a quality control consultant for the whole or part of the period of execution, the Engineer-in-Charge may order employment of a consultant at the cost of contractor or may order the departmental staff to carry out checks and a deduction at the rate of 1.5 *per cent* of the total cost of the work was to be made from the bill of the contractor.

As per agreement, recovery of Rs 1.40 crore was not made as quality control consultants were either not employed or were employed late

In four divisions, Quality Control Consultant was either not employed or was employed by the contractors with delays ranging from eight to nine months. Thus, an amount of Rs 1.40 crore being 1.5 *per cent* of cost of works was recoverable as per provision of the contract agreement, as per ***Appendix-XXII***.

When this was pointed out, EE, Faridkot did not furnish any reply; EE, Gurdaspur stated that deduction had been made at 1.5 *per cent* of the work done for the period no consultant was appointed; EE Ferozepur stated that reply will be given after examination; EE, Division No. III Ludhiana stated that QCC was appointed as per terms of agreement and refunded Rs 9.38 lakh already deducted from the contractor on this account. The reply is not acceptable as the deduction of 1.5 *per cent* of the work was to be made considering the entire period of contract irrespective of whether the consultant was appointed for a limited period or after a delay. The contract provisions stipulated the employment of consultant *ab-initio* and therefore, non-appointment or appointment with delay invited deduction as per terms of the contract.

Non-recovery from the contractor

3.1.34. As per agreements, the contractor shall employ one graduate engineer or qualified diploma holder having relevant experience of not less than three years during the execution of work and intimate their names by 10th of each month. Further, in case the contractor fails to employ the technical staff or to submit the names and attendance certificate of such staff, recovery shall be made at the rate of twice the average pay of the corresponding staff.

As per agreement, recovery of Rs 77.41 lakh was not made for non-employment of technical staff

In four[8] divisions, technical staff was not employed by the contractors during the execution of 38 works completed between May 2001 and May 2003 but no recovery was made from them as required. This resulted in non-recovery of Rs 77.41 lakh.

[7] Construction Division Barnala and Ferozepur.

[8] Construction Division Barnala, Faridkot, Ferozepur and Mohali-I.

On this being pointed out, Executive Engineers, Ferozepur, Faridkot and Barnala stated that this has been noted for future compliance and Executive Engineer, Mohali-I stated that required staff was employed but record was not available in the division. Their replies confirmed that the provisions of agreement were not observed and recovery was required to be made.

Conclusions

3.1.35. State Government had specifically obtained loans from NABARD for the purpose of infrastructure and development in rural areas. Despite receipt of funds from NABARD, same were not released by the State Government alongwith its own share. This coupled with non-release of LOC by the District Treasury Officers led to a situation of inadequate flow of funds leading to non-completion and delay in completion of works. Even the implementation of various works was deficient and improper as defective schedule of payments were prepared leading to release of avoidable advance payments, unjustified extensions were given resulting in payment of extra escalation. Project implementation also suffered from improper planning as the bridges were constructed without commensurate and synchronized construction/ strengthening of roads leading to lack of complete utilisation and consequent revenue loss due to non-collection of toll tax.

3.1.36. In order to have the replies from Government to the audit observations issued in April 2004, a mechanism to hold the meetings of the Audit with the Administrative Secretaries was evolved. Accordingly, a meeting with the Administrative Secretaries under the chairmanship of Chief Secretary was held on 27 August 2004 and the Secretary, PWD (B&R) was instructed to furnish replies within two weeks; no reply has been received.

Recommendations

- No work should be started unless the detailed estimate is technically sanctioned as provided in the PWD Code. Timely action should be taken to get the detailed estimates sanctioned as works allotted on the basis of rough estimates may render undue financial benefit to contractors and loss to Government.

- Extension in time allotment to execute the works should be granted after proper consideration of merits of the case to avoid payment of escalation and delay in completion of works.

- All components of work should be completed in phased/ planned manner so that the intended benefit reach the beneficiaries and no expenditure goes as waste/ungainful.

3.2. PRADHAN MANTRI GRAM SADAK YOJANA

PUBLIC WORKS DEPARTMENT (BUILDINGS AND ROADS BRANCH)

Highlights

The Pradhan Mantri Gram Sadak Yojana (PMGSY), a 100 *per cent* Centrally sponsored scheme, was launched in December 2000 with a view to providing connectivity by way of an all weather road (operatable throughout the year) to the unconnected habitations. This was expected to provide services (educational, health, marketing facilities, etc.) which were not earlier available. The review conducted on the scheme revealed several deficiencies; already connected habitations were again connected; habitations with population below 500 persons or situated within a distance of 500 metres of connected habitations were connected contrary to provisions of scheme and projects were not prepared according to guidelines. As a result, 39 works were partially or completely abandoned due to non-availability of required land.

- ***Funds of Rs 40.11 crore were lying unspent as on March 2004 whereas 252 villages were awaiting connectivity.***

(Paragraph 3.2.6)

- ***Construction of 25 roads (55.59 Km) was abandoned due to non-availability of adequate land width which resulted in ungainful expenditure of Rs 7.66 crore.***

(Paragraph 3.2.21)

- ***Thirty one roads (40.49 Km) were constructed at a cost of Rs 5.38 crore to link habitations with population below 500 persons.***

(Paragraph 3.2.16)

- ***Thirteen link roads (37.10 Km) were constructed at a cost of Rs 4.21 crore in two districts to connect those habitations which were already connected.***

(Paragraph 3.2.17)

- ***Eight roads (10.84 Km) costing Rs 1.36 crore were constructed which did not form part of the Core Network.***

(Paragraph 3.2.15)

- ***Fourteen works (16.62 Km) costing Rs 2.50 crore had to be abandoned as project reports were not prepared as per guidelines.***

(Paragraph 3.2.13)

- ***Interest amounting to Rs 3.49 crore accrued on fixed deposits as well as on saving accounts was not intimated to Government of India for addition to PMGSY funds, as required.***

(Paragraph 3.2.8)

- ***Nine roads (9.22 Km) were constructed with state funds though these projects were approved for Rs 1.32 crore depriving the State Government of funds to that extent.***

(Paragraph 3.2.14)

Introduction

3.2.1. The PMGSY was launched in December 2000 with a view to providing connectivity, by way of all weather roads (operatable throughout the year) to the unconnected[9] habitations in the rural areas, in such a way that habitations with a population[10] of 1000 persons and above, were to be covered in three years by 2003 and all unconnected habitations with a population of 500 persons and above, by the end of 2007. For this, a Core Network was required to be prepared in respect of unconnected habitations for connectivity under this Yojana. In the Core Network, 526 villages having population of 500 persons and above were identified for connectivity under the Yojana by constructing 953.38 km roads.

3.2.2. Organisational set-up

The Ministry of Rural Development, Government of India (GOI) was to implement this Yojana at the Central level through National Rural Road Development Agency (NRRDA) set up to provide operational and management support to the programme.

For the Punjab State, Punjab Roads and Bridges Development Board (PRBDB) was declared (February 2002) the nodal agency for implementation of the Yojana. From December 2000 to January 2002, Public Works Department (B&R) was the implementing agency.

The work was being executed by 27 Project Implementation Units (PIUs) (19 units of Public Works Department and eight of Punjab Mandi Board) in all the 17 districts in the State.

3.2.3. Audit objectives

The Yojana was reviewed to ascertain that:

- Yojana funds were utilised for the purpose for which these were sanctioned and extent to which instructions for incurring expenditure had been followed,
- the Core Network had been prepared before undertaking the works and works executed formed part of approved Core Network,
- habitations identified for inclusion in Core Network fulfilled the conditions setforth in the Yojana guidelines,
- only single road connectivity was provided to eligible habitations and
- the quality of execution of the works carried out was as per specifications.

9 Located at a distance of at least 500 metres or more from an all-weather road or connected habitation.

10 Population as recorded in the Census 2001.

Scope of Audit

3.2.4. Records of the PRBDB and 13 PIUs (out of 27) falling under nine districts, involving expenditure of Rs 42.14 crore (out of Rs 87.29 crore) including records in the office of Chief Engineer, Public Works Department, Buildings and Roads, for the period from July 2001 to March 2004, were test checked during January 2004 to April 2004.

Financial Management

3.2.5. PMGSY was a 100 *per cent* Centrally funded scheme and 50 *per cent* of the cess on High Speed Diesel (HSD) was earmarked for this programme. For the first phase of the scheme, funds were released by GOI to the State which further released the funds to PIUs through Deputy Commissioners of the districts. From Phase II onwards, funds were released by GOI direct to PRBDB (nodal agency). All funds received from the GOI were to be credited to a bank account opened by the nodal agency. All payments were to be made from this account.

3.2.6. The details of funds released and utilised during the period from February 2001 to March 2004 were as follows:

Phase	Period	Funds released by GOI	Funds earmarked to PIUs by the State/ PRBDB	Expenditure	Balance	No. of roads		Shortfall
		(Rupees in crore)				Approved	Constructed	
Phase-I	2000-01	24.66	24.66	22.77	1.89	89	86	3
Phase-II	2001-03	75.39	67.36	62.15	13.24	249	227	22
Phase III	2003-04	27.35		2.37	24.98	88	Works in progress	---
	Total	**127.40**	**92.02**	**87.29**	**40.11**	**426**	**313**	

Funds of Rs 40.11 crore remained unutilised though identified villages were yet to be connected

Out of Rs 127.40 crore released for Phase-I, II and III, an amount of Rs 40.11 crore remained with PRBDB and was not utilised and no reasons therefor were intimated although there were 252 villages with road length of 413.22 Km as of March 2004, which were awaiting connectivity.

Though funds amounting to Rs 40.11 crore as of March 2004 were available, no further work was undertaken to utilise the same.

3.2.7. PMGSY guidelines provide for maintaining only one bank account by the State Level Agency and prohibits the investment of funds released under the programme in any other bank /branch either for short term or medium term, including under Fixed Deposits. However, money accruing as interest would be added to PMGSY funds. Departmental Financial Rules (DFR) provide that recoveries of expenditure should be taken as reduction in expenditure on the work in progress. These instructions were not followed as discussed below:

Interest earned not credited to PMGSY funds

Interest of Rs 3.49 crore remained unadded to PMGSY funds

3.2.8. Contrary to the guidelines, funds were kept in fixed deposits by PRBDB and in saving funds in different banks and various accounts by PIUs. The interest amounting to Rs 3.49 crore accrued thereon from fixed deposits as well as saving accounts upto 31 March 2004, was not brought to the notice of Government of India for addition to PMGSY fund.

The Executive Engineer (XEN), while accepting the audit observations, stated (February/March 2004), that the matter would be taken up with PRBDB for doing the needful. Further report has not been received. Reply from PRBDB was also awaited (August 2004).

Recoveries not credited to works

Recoveries made from contractors were not credited to works as required

3.2.9. Recoveries of Rs 8.34 lakh[11] made by three PIUs on various accounts from contractors' bills for the period falling between August 2003 and February 2004 were not credited to concerned works but were deposited into State receipt head account which was irregular.

The XEN, Construction Division No.II, Bathinda accepted (February 2004) audit observations but compliance was awaited. Final reply from the other two XENs was awaited (August 2004).

Non-obtaining of requisite bank guarantees

3.2.10. As per PMGSY guidelines read with standard bidding documents for construction and maintenance of PMGSY roads, roads constructed under this programme were expected to be of very high quality standard requiring no major repairs at least for five years after completion. In order to realise this objective, contractors were to furnish bank guarantees equal to 10 *per cent* (five *per cent* from March 2003) of the contract value of work which should remain valid for five years after the completion of the work.

As per details given in ***Appendix-XXIII,*** it was observed that:

Bank Gurantees for Rs 1.61 crore were not obtained

- Bank Guarantees amounting to Rs 1.61 crore had not been obtained at all by eight PIUs against 12 packages as the provision for obtaining 10 *per cent* Bank Guarantee was not included in the Detailed Notice Inviting Tenders (DNITs).
- In 14 packages, bank guarantees were obtained at the rate of five *per cent* (Rs 0.93 crore) of contract cost instead of at the rate of 10 *per cent* (Rs 1.87 crore) by nine PIUs.

11	XEN, Provincial Division, Amritsar	= Rs 4.53 lakh
	XEN, Construction Division, Ropar	= Rs 3.35 lakh
	XEN, Construction Division No. II, Bathinda	= Rs 0.46 lakh

- In two cases, bank guarantees amounting to Rs 11.90 lakh obtained at the rate of five *per cent* of contract cost instead of at the rate of 10 *per cent* by two PIUs, were valid for one year instead of five years.
- In one case, bank guarantee obtained (Rs 11.94 lakh) was released immediately after completion of work.

On being pointed out, three XENs of Punjab Mandi Board stated that bank guarantees were not obtained as there was no provision in the agreements. Two other XENs stated that bank guarantees were obtained for one year as per clause in the agreement. The reply was not acceptable as provision was required to be made in the agreements as per Yojana guidelines.

Programme Management/Planning

3.2.11. Yojana guidelines provided that the Core Network prepared, would form the basis for the preparation of project proposals for construction of roads to give single connectivity to eligible unconnected habitations having population of 500 persons or more and located at a distance of 500 metres or above from the connected habitation or all weather roads. However, no road work was to be proposed/ undertaken under the Yojana unless it formed a part of the Core Network.

3.2.12. Habitations identified for connectivity as per Core Network, works approved for construction by NRRDA and actual roadworks completed as of March 2004, were as under:

Habitations identified for connectivity as per core network		Phase	Works approved by NRRDA		Road works completed		Expenditure incurred on construction (Rs in crore)	Remarks
No. of Roads	Kms		No. of roads	Kms	No. of roads	Kms		
526	953.38	Phase-I	89	171.02	86	162.61	22.77	Two works dropped due to alignment dispute under package PB-1101; One road got completed with State funds
		Phase-II	249	468.34	227	428.88	62.15	Twelve works dropped due to insufficient land width; Two works could not be started due to Army deployment; Eight works completed with State funds
		Phase-III	88	176.20	-	-	2.37	Works in progress
		Total	**426**	**815.56**	**313**	**591.49**	**87.29**	

Availability of land not ensured

The PMGSY guidelines lay down that the State Government was responsible to see that land was available for taking up proposed road works as a certificate to this effect was to accompany the proposal for each road work.

Fourteen works were abandoned due to non-preparation of project reports as per guidelines

3.2.13. Framing of proposals without verification of availability of required land for construction of roads as envisaged in the PMGSY guidelines resulted in abandonment (March 2004) of 14 works (Road length : 16.62 Kms, Costing: Rs 2.50 crore) though funds were available. Thus, the provisions of guidelines were not followed while preparing the projects.

Centrally approved projects financed by State funds

Nine roads constructed from State funds though their projects were approved

3.2.14. Nine roads having length of 9.22 Km were constructed with State funds though the projects were approved for Rs 1.32 crore under the scheme ***(Appendix-XXIV)***.

As a result, State had been deprived of the Central assistance to that extent and failed to take the benefit as envisaged in the Yojana.

Work done beyond the scope of Core Network

Eight roads which did not form part of the Core Network were constructed

3.2.15. Eight roads (10.84 Km) were constructed under Phase I (one road included in 86) and Phase II (seven roads included in 227) at a cost of Rs 1.36 crore ***(Appendix-XXV)*** under the scheme by six PIUs although these did not form part of the Core Network (526 roads), in contravention of the guidelines, resulting in irregular utilisation of funds to that extent. Reasons therefor were awaited (August 2004).

Thirty one roads costing Rs 5.38 crore were constructed for habitations having population less than 500 persons contrary to the guidelines

Connectivity provided to habitations with population below 500 persons

3.2.16. Thirty one roads (40.49 Km) were constructed at a cost of Rs 5.38 crore (***Appendix-XXVI)*** to link habitations with population below 500 persons as per Core Network, contrary to guidelines of the scheme.

Connectivity provided to already connected habitations

Construction of 13 roads to link habitations already connected resulted in wasteful utilisation of funds of Rs 4.21 crore

3.2.17. Thirteen link roads (37.10 Km) were constructed at a cost of Rs 4.21 crore (Construction Division, Ropar : five roads, Rs 1.72 crore and Construction Division, Gurdaspur: eight roads, Rs 2.49 crore) in two districts ***(Appendix-XXVII)*** to connect those habitations which were already connected to other habitations by way of all weather roads and were last surfaced between February 1999 and November 2003. While this was contrary to guidelines, another 252 habitations with population of more than 500 persons were awaiting single connectivity as on 31st March 2004. Funds of Rs 4.21 crore could have been better utilised for the eligible beneficiaries who were deprived of the intended benefits of the Yojana.

The XENs stated that the works had been executed as per approved projects. The reply was not relevant as these works were not to be taken up because the habitations were already connected.

Connectivity provided to habitations within 500 metres of connected habitations

3.2.18. In seven cases, contrary to guiding principles, works had been carried out by five PIUs to connect habitations which were situated at a distance of less than 500 metres from connected habitations, as shown below:

Sr. No.	Name of PIU	Package No.	Name of Road	Length in Km	Expenditure (Rs in lakh)
1.	Construction Division, Mukatsar	PB-1302	i) Phullu Khera to Dhani along Shamshan ghat ii) Dhalwol Dhal to Dhani Mohinder Singh and surrounding habitations	0.30 0.29	2.41 20.78
2.	Construction Division, Gurdaspur	PB-0605	Sorty Marwanto Partananto Muslim Abadi Sareen	0.33	22.40
3.	Construction Division, Hoshiarpur	PB-0703	Garhshankar Santokhgarh road to Dalewal Kurali road to Jhonwal	0.44	8.11
4.	Construction Division, Jalandhar	PB-0804	Kadana to Abadi of village Kadana	0.43	6.49
5.	Punjab Mandi Board Division, Jalandhar	PB-0801	i) Lidhar to Harijan Colony ii) Tut Kalan to Balmiki Abadi	0.49 0.29	5.63 3.16
Total				**2.57**	**68.98**

As the expenditure was against the spirit of the scheme, the expenditure of Rs 68.98 lakh was irregular.

This was pointed out in March and April 2004 but reply has not been received (August 2004).

Irregular construction of road

3.2.19. Village road “Amritsar-Pathankot road to Trija Nagar” was constructed under PMGSY Package No. PB-0601 at a cost of Rs 27.48 lakh. The Additional Deputy Commissioner, Gurdaspur informed (May 2002) the XEN, Construction Division, B&R, Gurdaspur that as checked, this road was to be constructed upto the village for a length less than half kilometre whereas the department has taken its length as 1.64 Km by including the length of village Phirni in the Project which was not covered under PMGSY.

In reply, department stated (June 2004) that the length of road was extended upto 1.64 Km to connect the village to the focal point/market centre. However, the reply was not tenable as Yojana provides for connecting villages with all weather roads.

This resulted in irregular expenditure of Rs 27.48 lakh.

Execution of works

3.2.20. The rural roads constructed under PMGSY must meet the technical specifications and geometric design standards given in the Rural Roads Manual of the Indian Road Congress (IRC) (Publication IRC: SP20-2002). Once approved, the alignment of the road should not be changed without obtaining the concurrence of State Technical Agency and State Level Standing Committee.

All staff cost was to be borne by the State and no agency charges were admissible for road work. A review of the execution of works under the Yojana revealed as brought out in the following paras:

Unfruitful expenditure on abandoned works

3.2.21. Construction of 25 roads (55.59 Km) was taken up to link habitations under 16 packages in seven districts under the scheme and an expenditure of Rs 7.66 crore was incurred on them ***(Appendix-XXVIII)***. In the progress report, the works were shown as completed whereas actually the works were abandoned during February 2002 to January 2003 after construction of part portion of roads due to non-availability of adequate width, bridges/stream falling in the alignment of roads, forest land etc. No further action was taken to complete these works.

Non-availability of adequate land width resulted in ungainful expenditure of Rs 7.66 crore

Thus, expenditure of Rs 7.66 crore incurred on these works, not covered under the guidelines of Yojana, was unfruitful as habitations could not be connected and people were deprived of the intended benefits.

When this was pointed out, four[12] XENs stated that works could not be completed due to non-availability of required land, forest area falling in alignment of roads; land disputes and missing links to be constructed by funds to be provided by State as per guidelines. The reply confirmed that Government failed to ensure availability of land and other aspects, which were required to be checked before getting these works approved under the scheme. Reply from the remaining six XENs was awaited (August 2004).

Expenditure wrongly/irregularly charged to works

3.2.22. According to Public Works Department Code, the authority granted by a sanction to an estimate must on all occasions be looked upon as strictly limited by the precise objects for which the estimate was intended to provide. Accordingly, any savings on a sanctioned estimate for a definite project should not, without special authority, be applied to carry out additional works not contemplated in the original project.

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12 XEN, Construction Division, Ropar, Provincial Division, Amritsar, Construction Division No. II, Bathinda and Punjab Mandi Board Division, Amritsar.

- Contrary to the above provisions, expenditure amounting to Rs 61.53[13] lakh on items of work which did not form part of approved estimates, met out of savings, was charged to the works by 10 PIUs, resulting in irregular utilisation of funds.

The XENs stated that the expenditure was within approved project cost and was met out of savings. The reply was not tenable as utilisation of savings towards items not provided in estimates was irregular.

Rs 64.84 lakh incurred on other works and cost of staff wrongly charged to the scheme

- The PMGSY guidelines do not provide for any staff costs as the same was to be borne by the State Government.

Contrary to the guidelines, salary of work charged staff amounting to Rs 3.31 lakh was charged to concerned works (XEN, Punjab Mandi Board, Bathinda: Rs 2.75 lakh and the XEN, Construction Division, Gurdaspur: Rs 0.56 lakh), although works were got executed from contractors on through rates, resulting in irregular utilisation of funds.

In reply, it was stated that expenditure was within approved estimated cost. The reply was not tenable in view of specific directions under the Yojana. Moreover, the work charged staff did not perform any job on the work executed.

Monitoring

3.2.23. For effective monitoring of the programme, State Government was to ensure the setting up of "On Line Management & Monitoring System" for prompt sending the requisite reports/information.

No effective monitoring system was enforced as out of 13 test checked PIUs, computers were not installed in six PIUs; in three cases though computers were installed, internet connections were obtained six to 18 months after their installation. As a result, the purpose of constant updating and online monitoring remained unachieved.

Conclusions

3.2.24. The implementation of the PMGSY faltered in the State as out of 526 identified unconnected villages, 252 villages were yet to be connected despite the availability of funds; already connected habitations were again connected; habitations with population below 500 persons or situated within a distance of 500 metres of connected habitations were connected; projects were not prepared according to guidelines as a result of which 39 works had to be abandoned, completely or partially, due to non-availability of required land; roads were constructed in violation of technical specifications. The scheme

[13]

	(Rupees in lakh)		(Rupees in lakh)
Logo sign Board	=9.09	Contingency	=14.63
Soil testing/consultation	=6.04	Advertisement	=7.70
Brick edging	=13.33	Restoration of Flood Damage Works	=3.04
Other works	=7.70	**Total**	**61.53**

could not be monitored properly as infrastructure for online management and monitoring system was not installed in time.

3.2.25. In order to have the replies of the Government to the audit observations issued in May 2004, a mechanism to hold the meetings of the Audit with the Administrative Secretaries was evolved. Accordingly, a meeting with the Administrative Secretaries under the Chairmanship of Chief Secretary was held on 27 August 2004 and the Secretary, PWD (B&R) was instructed to furnish replies within two weeks; no reply has been received.

Recommendations

- The Core Network prepared for execution of Yojana needs to be followed strictly so that works not forming its part are not taken up.
- Project Reports need to be prepared after ensuring availability of land for construction of roads so that approved works are not abandoned at a later stage due to non-availability of land.
- Plan to utilise unspent amount of Rs 40.11 crore may be prepared.
- Department should exercise control over charging of expenditure to works so that expenditure not provided in estimates/ not related to works are not charged to Yojana funds.

3.3. IMPLEMENTATION OF CHILD LABOUR (PROHIBITION AND REGULATION) ACT, 1986

LABOUR AND EMPLOYMENT DEPARTMENT

Highlights

The Child Labour (Prohibition and Regulation) Act, 1986 (Act) is a Central Act, which was notified for application in Punjab in 1997. This Act alongwith the other related Acts and the Rules framed thereunder are intended *inter alia* to ban the employment of children under 14 years in specified occupations and processes; lay down a procedure to decide modification to the Schedule of banned occupations or processes; and regulate the conditions of work of children in employment where they are not prohibited from working. In Punjab, the implementation of the Act was inadequate. A number of establishments employing child labour remained unmonitored. Child Labour Rehabilitation-cum-Welfare Fund could not be raised. Special schools opened for the education of child labour did not fulfil the prescribed criteria to be eligible for funding under the National Child Labour Project (NCLP).

- ***The Act was notified by the State Government in January 1997 after a delay of about nine years.***

(Paragraph 3.3.10)

- ***Due to non-recovery from employers, 'Child Labour Rehabilitation-cum-Welfare Fund' to the tune of Rs 10.87 crore in 4348 cases could not be raised and no member of the affected families was provided employment.***

(Paragraph 3.3.13)

- ***Funds provided for survey were either not fully utilised or spent on irregular purchases.***

(Paragraph 3.3.6)

- ***Except for opening of 107 special schools under three National Child Labour Projects (NCLPs), other strategical steps suggested in the National Policy on Child Labour were not implemented.***

(Paragraph 3.3.12)

- ***The special schools were opened for children working in home based occupations and no recovery of cost of education from any employer of the children was made.***

(Paragraph 3.3.15)

- ***Opening of 24 special schools in excess resulted in extra expenditure of Rs 29.30 lakh.***

(Paragraph 3.3.17)

Introduction

3.3.1. The policy of the Government is to ban employment of children below the age of 14 years in factories, mines and hazardous employments and to regulate the working conditions of children in other employments. The Child Labour (Prohibition and Regulation) Act, 1986 (Act) seeks to achieve this basic objective. The Act prohibits employment of children in occupations and processes listed in Part A and B of the Schedule to the Act. Through a Notification in 1993, the working conditions of children have been regulated in all employments, which are not prohibited under the Act are to:

- ban the employment of children, i.e. those who have not completed their fourteenth year, in specified occupations and processes;
- lay down a procedure to decide modifications to the Schedule of banned occupations or processes;
- regulate the conditions of work of children in employment where they are not prohibited from working;
- lay down enhanced penalties for employment of children in violation of the provisions of this Act and other Acts which forbid the employment of children;
- obtain uniformity in the definition of 'child' in the related laws.

As the National Policy on Child Labour was not being implemented effectively, the Supreme Court of India issued (December 1996) further directions for:

- identification of working children,
- withdrawal of children working in hazardous employment and ensuring their education in appropriate institutions,
- contribution of Rs 20,000 per child by the offending employer of child labour to Child Labour Rehabilitation-cum-Welfare Fund (Welfare Fund) to be established for the purpose, and

- employment of one adult member of the family of child so withdrawn from work and if that is not possible, a contribution of Rs 5,000 to the Welfare Fund to be made by the State Government.

Organisational set-up

3.3.2. In Punjab, the Act is being implemented through Department of Labour and Employment headed by the Principal Secretary to Government of Punjab who is assisted by one Labour Commissioner, 24[14] Assistant Labour Commissioners, one Statistical Officer (Labour) and Labour Inspectors at Circle level.

NCLPs are executed through Project Societies headed by the Deputy Commissioner as Chairman with the Project Director as Secretary.

Audit objectives

3.3.3. The objective of Audit during the review was mainly to examine :

- any infirmities in the Act and Rules, as also the extent of implementation of the Act with regard to the enforcement and regulation of labour laws,
- the steps taken under the National Policy on Child Labour and Programmes for prohibition and rehabilitation of child labour and results achieved, and
- the justification behind opening of special schools in Punjab and results achieved.

Scope of Audit

3.3.4. The implementation of the Act for the period 1999-2004 was reviewed during January 2004 to April 2004 based on a test check of the records of Labour Commissioner, Punjab, Chandigarh, 12[15] Circles (out of 24) and all the three NCLPs (Amritsar, Jalandhar and Ludhiana) in Punjab.

Financial management

3.3.5. No funds were allotted in the annual budget of State for the implementation of this Act. All the funds for NCLPs were provided by Government of India, Ministry of Labour (GOI). Funds were released to the concerned Project Societies depending upon the progress of project activities. Delay by the Project Societies in submitting the utilisation certificates, however, led to corresponding delay in release of further funds by GOI. The details of provisions made, funds released and expenditure incurred under the three NCLPs during 2000-04 were as follows:

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[14] Amritsar-3, Bathinda-1, Batala-1, Chandigarh-1, Ferozepur-1, Gurdaspur-1, Hoshiarpur-1, Jalandhar-3, Kapurthala-1, Ludhiana-6, Moga-1, Patiala-1, Rajpura-1, Ropar-1, Sangrur-1.

[15] Ludhiana: 6, Amritsar: 3 and Jalandhar: 3.

(***Rupees in lakh***)

Name of NCLP	Year	Funds allotted	Opening Balance	Funds released	Funds released short (-)/ excess (+)	Interest earned	Total (4+5+7)	Expenditure	Unspent Balance
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Jalandhar	2000-01	46.54	-	34.28	(-) 12.26	0.14	34.42	21.12	13.30
	2001-02	59.50	13.51*	45.98	(-) 13.52	0.11	59.60	46.50	13.10
	2002-03	59.50	13.10	46.40	(-) 13.10	0.19	59.69	51.34	8.35
	2003-04	59.50	8.35	51.15	(-) 8.35	0.09	59.59	59.11	0.48
Total		**225.04**		**177.81**	**(-) 47.23**	**0.53**	**213.30**	**178.07**	
Amritsar	2000-01	67.31	-	-	(-) 67.31	-	-	-	-
	2001-02	85.94	-	25.69	(-) 60.25	0.35	26.04	25.34	0.70
	2002-03	85.94	0.70	85.01	(-) 0.93	0.28	85.99	21.26	64.73
	2003-04	85.94	64.73	107.77	(+) 21.83	0.04	172.54	104.09	68.45
Total		**325.13**		**218.47**	**(-) 106.66**	**0.67**	**284.57**	**150.69**	
Ludhiana	2000-01	67.31	-	-	(-) 67.31	-	-	-	-
	2001-02	85.94	-	68.66	(-) 17.28	0.10	68.76	39.86	28.90
	2002-03	85.94	28.90	56.14	(-) 29.80	0.49	85.53	82.47	3.06
	2003-04	85.94	3.06	80.45	(-) 5.49	0.05	83.56	43.52	40.04
Total		**325.13**		**205.25**	**(-) 119.88**	**0.64**	**237.85**	**165.85**	
G. Total		**875.30**		**601.53**	**(-) 273.77**	**1.84**	**735.72**	**494.61**	

**** 0.21 lakh added by GOI as inadmissible expenditure of previous year.***

It was observed in audit that although an amount of Rs 8.75 crore was allotted to three NCLP Societies during the period 2000-04, only an amount of Rs 6.02 crore was released. The short release of funds which was mainly during the period 2000-03 was attributed to improper functioning of the Project Societies which were manned by part time Project Directors. Also the schools that were envisaged for opening by these Project Societies could not be opened in time due to non-finalisation of location/accommodation for schools and delay in selection of Non-Government Organisations/Voluntary Organisations (NGOs/VOs) who were to run these schools. The deficient functioning of NCLP Societies contributed towards delayed submission of the utilisation certificates (UCs) resultantly, funds were released with delay upto eight months. Delayed receipt of funds also had adverse impact on funding of schools as payment of stipend and honorarium got delayed. It was noticed in audit that as of March 2004, the payment of stipend and honorarium in NCLPs at Amritsar and Ludhiana had not been made beyond May 2003 and November 2003 respectively, on account of non-release of funds by the Project Directors to the respective NGOs/VOs.

Improper/non-utilisation of funds provided for survey

3.3.6. Survey is the essential part for operationalising of Child Labour Project which provides information on the magnitude of child labour, their geographical distribution, health status, nature of industries/ occupations (hazardous or otherwise) etc.

Government of India, Ministry of Labour released (March 1997) funds amounting to Rs 25 lakh to 14[16] District Rural Development Agencies (DRDAs) in Punjab for conducting survey in terms of Supreme Court's directions (December 1996) to detect child labour working in hazardous and non-hazardous occupations.

In five[17] districts, the information of which was made available, against the release of Rs 9.25 lakh for survey, only Rs 1.14 lakh were spent for the purpose of survey. Rs 0.74 lakh were spent for purchase of Almirahs and Typewriters and balance amount alongwith interest was refunded to GOI during May 1999 to May 2003 as the funds allotted to DRDAs could not be transferred to the Labour Department in time for conducting the survey. Most of the funds either remained unutilised or were spent on irregular purchases and were not fruitfully utilised for the purpose. Moreover, the results of survey were not utilised for the purpose of selection of location for opening of new special schools.

Suspected misappropriation

3.3.7. An official working for special schools under the control of District Red Cross Society, Amritsar did not submit the account of Rs 8.90 lakh received during April 2003 and was placed under suspension (December 2003) for non-rendering of accounts of expenditure and non-submission of connected records. The failure of the project society to obtain the expenditure account regularly facilitated the misappropriation. Further outcome was awaited (August 2004).

Infirmities in the Act and Rules

3.3.8. A review of the adequacy of the legal powers available to the State under the Act revealed the following infirmities which hindered its effective implementation:

- Most of the children working in Punjab were the wards of migrant labour families who often changed their location with their parents. The Act does not provide for their follow up for education/mainstreaming/ rehabilitation and for ensuring that they did not return to labour.
- There was no provision in the Act/Rules regarding immediate financial assistance to the family for rehabilitation of the child labour withdrawn from hazardous occupations.

Implementation of the Act

3.3.9. The provision of the Act stipulated that children should not be employed in occupations or activities which were specified in the Act and contravention of this provision attracted penal action including imprisonment

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16 Rs 2 lakh each: (i) Amritsar & (ii) Ludhiana; Rs 1.75 lakh each: (iii) Bathinda, (iv) Faridkot, (v) Ferozepur, (vi) Fatehgarh Sahib, (vii) Gurdaspur, (viii) Hoshiarpur, (ix) Jalandhar, (x) Kapurthala, (xi) Mansa, (xii) Patiala, (xiii) Roop Nagar and (xiv) Sangrur.

17 Amritsar, Ferozepur, Jalandhar, Ludhiana and Sangrur.

and fine. The Act, though permitted employment of children in other occupations/activities, the conditions of work were required to be regulated as specified in Sections 7 and 9 of the Act. Consequent to the pronouncement of judgment by the Supreme Court, mechanism for a survey and setting up of Child Labour Rehabilitation-cum-Welfare Fund was also involved. It was, however, observed in audit that there were deficiencies in the implementation of the provisions of the Act, such as, delayed notification of the rules for application in the State by the State Government, non-maintenance of registers prescribed under the Act, delay in opening of NCLP schools, absence of system of recording specific violations during inspections, non-implementation of various strategic steps outlined in the package for rehabilitation of children, injudicious opening of schools under NCLP and non-raising of Welfare Fund, as specified below:

Delayed notification of rules by State Government

3.3.10. Although the Act was passed in 1986 and the related Child Labour (Prohibition and Regulation) Rules were framed by Central Government in the year 1988, the above stated Rules were only notified in January 1997 after a delay of nine years for application in the State by Punjab Government. Further, no action plan was drawn up by the State Government for elimination of child labour in the State upto August 2000. The NCLP schools under the National Policy on Child Labour were only opened in the State in September 2000. The delays in notification and non-drawing of action plan is indicative of inadequate sensitisation and awareness in the State Government for tackling this problem.

Deficiencies in implementation of the prohibitory functions under the Act

3.3.11. Department detected 2634 child labour cases in 18611 inspections carried out in the State during the years 1996-2004 but did not have the break-up as to whether they related to hazardous or non-hazardous occupations. Of these, 101 cases of violation were reported, against which 98 prosecutions were launched. Convictions were made in 69 cases and 19 cases were acquitted; Rs 1.51 lakh were realised as fine. However, the Statistical Officer (Labour) stated (August 2004) that 35 prosecution cases (include 25 pending cases prior to 1996) were pending in the Court for which no details were available with the department. This indicates lack of effective control in the follow up of cases.

It was also observed that the Section 11 of the Act prescribed maintenance of a proper register by the establishment recording name and date of birth of child, hours and period of work with intervals of rest, the nature of work and such other particulars as may be prescribed. The register was to be made available for inspection by the Inspectors at all times. The record of inspections made by Labour Inspectors did not indicate that such registers as prescribed were examined for proper maintenance during the inspections.

Non-implementation of the steps outlined in package for rehabilitation of child labour

3.3.12. Under the Project-based Plan of Action for the rehabilitation of children, the Department was to evolve a package comprising the following strategical steps:

- Stepping up the enforcement of the Child Labour (Prohibition & Regulation) Act, the Factories Act and the Mines Act. If necessary, special enforcement staff will be created for the purpose.
- Coverage of families of child labour under the income/ employment generating programmes under the overall aegis of anti-poverty programmes.
- Concentration of special component and tribal sub plans by the State Government in each project area where there is concentration of SC/ST families with child labour.
- Formal/non-formal education of all child labour engaged in hazardous/non-hazardous employments. A stepped up programme of adult education for the parents.
- Coordinating the activities of different Departments/Governments to benefit child labour.
- Setting up of special schools for child workers together with provisions of vocational education/training in such special schools, supplementary nutrition, a stipend to the children taken out from prohibited employments and health care for all children attending such special schools.

It was, however, noticed that only the last step i.e. setting up of special schools was implemented in three districts of Punjab by opening 107 such schools (Jalandhar-27, Amritsar-40, Ludhiana –40). The other strategical steps of the package were not implemented for which no reasons were intimated.

Non-raising of Welfare Fund

3.3.13. As per directions (December 1996) of Hon'ble Supreme Court of India, the offending employer was to pay compensation of Rs 20,000 for every child employed in a hazardous work and this sum was to be deposited in Welfare Fund. Another amount of Rs 5,000 was required to be deposited in this fund for each child by the State Government where it was not possible to provide job to an adult member of the family whose child was employed in a hazardous work.

Due to non-recovery from employers, neither Welfare Fund to the tune Rs 10.87 crore in 4348 cases could be raised nor any member of affected family was provided employment

The survey conducted in Jalandhar in 2001-02 revealed that 2239 children were working in hazardous occupations. A similar survey at Amritsar and Ludhiana conducted earlier in 1997 had revealed 2115 such children (Amritsar: 60 & Ludhiana: 2055). Against the required Welfare Fund of Rs 1088.50 lakh to be raised, only Rs 1.20 lakh were collected in six cases in Amritsar. Neither was any adult member of affected families given employment nor was any payment from the income earned on Welfare Fund made.

While the Project Director, Ludhiana and Amritsar admitted the facts, Project Director, Jalandhar stated (February 2004) that the child labour cases detected were from home based occupations.

Opening of special schools

3.3.14. The major activity undertaken under NCLP was the establishment of special schools to provide non-formal education, vocational training, supplementary nutrition, stipend, health care etc., to children withdrawn from employment. The special schools were to run in a manner so as to effectively prevent children from working, especially in prohibited employment and to mainstream them in the regular educational system.

Out of total 107 special schools, the functioning of 70 special schools was test checked. The review revealed funding of ineligible schools and deficiencies in the functioning of schools, as brought out below:

Injudicious opening of special schools under NCLPs

3.3.15. The Act provided for detection and rehabilitation of child labour from hazardous and non-hazardous occupations. As a result of subsequent survey in 1997-98 conducted by the V.V.Giri National Labour Institute and Federation of Indian Chambers of Commerce and Industry (FICCI) to redress the problem of Sports Goods Industry, the Department opened (September–December 2000) 27 special schools at Jalandhar for 1350 child labour who were not withdrawn from any hazardous occupation/processes but were working in home based occupations mainly relating to Sports Goods Industry. According to Supreme Court's directions and NCLP guidelines, the special schools were meant for rehabilitation of child labour withdrawn from hazardous occupations/processes. As the opening of the special schools in Jalandhar did not fulfill the above criterion, these schools were not eligible for funding under the NCLP. The expenditure incurred on these schools amounted to Rs 1.78 crore (upto March 2004).

Opening of special schools was not as per Supreme Court's directions which resulted in injudicious expenditure of Rs 4.95 crore incurred on their functioning

Similarly, in Amritsar and Ludhiana, neither any Welfare Fund was raised (except for Rs 1.20 lakh in six cases in Amritsar) nor any recovery of cost of education was made in respect of 4000 child labour enrolled in 80 special schools (i.e. 50 children per school). Although an expenditure of Rs 3.17 crore (Amritsar: Rs 1.51 crore and Ludhiana: Rs 1.66 crore) had been incurred during September 2001 to March 2004 on the functioning of these schools, the expenditure so incurred was injudicious to the extent that:

- There was no linkage of the actual children detected during survey with those who were enrolled subsequently after a time gap of one year or even more since most of the child labour in Punjab were the wards of migrant labour and their location kept on changing.
- The address of employers was not forthcoming on the lists/profiles of children enrolled.

- There were cases of self employment viz. rag-picking, shoe-polishing, domestic servants, fruit selling, seller of miscellaneous tiny items and some children without work from poor families.

Improper functioning of schools

3.3.16. Following deficiencies /irregularities were noticed in the functioning of the test checked schools:

- The programme lacked building and infrastructure of its own as out of 107 schools, 69 schools (Amritsar- 32, Ludhiana- 11, Jalandhar- 26) were accommodated in Government school buildings and were functioning after the normal school hours.
- Contrary to the directions of GOI to run the special schools for at least five to six hours a day, the school hours were limited to two to three hours.
- Out of 51 schools test checked in Amritsar and Ludhiana, in 14 schools only, health check-up was got conducted but dates of such camps were not furnished.

Extra avoidable expenditure

3.3.17. National Policy on Child Labour, 1987, prescribed the norms for the deployment of staff for schools with 50 children and 100 children.

Extra avoidable expenditure of Rs 29.30 lakh due to opening of 48 schools with 50 children instead of 24 schools with 100 children each

It was, however, noticed that instead of opening 24 schools each for 100 children, 48 schools with 50 children each were opened in the same premises (Jalandhar: September 2000, Amritsar and Ludhiana :September 2001) resulting in additional establishment on 24[18] schools involving an extra avoidable expenditure of Rs 29.30[18] lakh during the period September 2000 to March 2004.

Irregular expenditure on nutrition

Rs 30.52 lakh shown incurred on nutrition without supporting vouchers

3.3.18. As per guidelines of NCLP, nutritious diet at the rate of Rs 2.50 (enhanced to Rs five in December 2003) per child per day was to be provided to the child labour enrolled in the special schools. In 42[19] schools out of 70 schools test checked, expenditure of Rs 30.52[19] lakh was incurred for supplying *samosas, badana, kulche- chhole, mathie, toffee*, fruits etc. but no supporting vouchers of expenditure incurred were maintained/shown to Audit.

Project Director, Jalandhar stated that there was no codal requirement to maintain vouchers. The reply was misleading and against the financial rules.

[18] Amritsar- 7 schools : Rs 8.03 lakh; Jalandhar-4 schools : Rs 6.36 lakh and Ludhiana –13 schools :Rs 14.91 lakh.

[19] Amritsar- 20 schools : Rs 14.37 lakh, Jalandhar-7 schools : Rs 5.74 lakh and Ludhiana-15 schools : Rs 10.41 lakh.

Inadequate coverage of Awareness Generation Programme

3.3.19. A good awareness generation programme effectively conducted can act as an excellent backdrop for the survey to ensure accurate and authentic data about working children and creation of a climate which will be conducive for release and rehabilitation of working children.

As per National Policy on Child Labour, the Department was required to undertake programmes for generating awareness about this evil of child labour and other welfare programmes of the State/Centre for elimination of child labour and rehabilitation of affected families.

The State Government/Project Societies had not launched any specific annual plan for the purpose. Only seven programmes/camps (Jalandhar- 5 :September 2000 to March 2004 and Amritsar- 2 :September 2001 to March 2004) were conducted whereas no such programme was arranged in Ludhiana. Thus, the number of awareness generation programmes and their frequency during the period was poor.

Monitoring and Evaluation

3.3.20. The implementation of the provisions of the Act is required to be monitored by State Government through Labour and Employment Department and further required to be monitored by the Ministry of Labour, Government of India. The State Government was to review the progress of the implementation of the programme twice every year. There was only one meeting in November 2001 of the State Monitoring Committee for the enforcement of Act. The monitoring of project societies at the level of Chairman/Project Director was carried out once in a year on test check basis. Inspection of the societies as well as of special schools was not carried out by Directorate of Labour and Employment Department.

The Project at Jalandhar was evaluated by V.V.Giri National Labour Institute in October 2001 and another report to this effect was submitted by the Project Director in January 2004, whereas no evaluation of Projects at Ludhiana and Amritsar was made.

Conclusions

3.3.21. The implementation of the Act was very inadequate. Even the Rules for application of the Act in the State were notified after a delay of over nine years. Submission of utilisation certificates by the project societies was delayed which resulted in late release of funds by GOI. Funds provided for the survey were not fully utilised. Department failed to prosecute most of the errant establishments under Sections 9 and 11 of the Act regarding sending the information to the Inspector and maintenance of the register. According to Supreme Court's directions and NCLP guidelines, the special schools were meant for rehabilitation of child labour withdrawn from hazardous occupations/processes but the special schools in Jalandhar were irregularly opened for home based child labour relating mainly to sports goods industry. Special schools in Amritsar and Ludhiana enrolled child labour of migrating families and from unspecified work/job category not covered under the Act/ Policy of the NCLP. There was failure to implement the decision of Hon'ble

Supreme Court in raising the Welfare Fund meant for financial assistance to the affected families.

3.3.22. In order to have replies from the Government to the audit observations issued in May 2004, a mechanism to hold meetings with the Administrative Secretaries was evolved. Accordingly, a meeting with the Administrative Secretaries under the Chairmanship of Chief Secretary was held on 27 August 2004 and the Secretary, Labour and Employment was instructed to furnish replies within two weeks; no reply has been received.

Recommendations

- Project Societies should be managed by full time Project Directors and may be directed to submit utilisation certificates in time to avoid late release of funds by Government of India.
- Proper monitoring and follow up of mainstreaming of child labour after they are out of NCLP schools should be ensured.
- The enrolment of children in schools should be linked with the children actually detected/withdrawn from hazardous occupations.
- Steps should be taken to recover cost of education from employers for children enrolled from non-hazardous occupations.
- The raising of Welfare Fund and payment out of income earned on such Fund to the affected families should be properly monitored.

3.4. INDIAN SYSTEMS OF MEDICINE AND HOMOEOPATHY

HEALTH AND FAMILY WELFARE DEPARTMENT

Highlights

In Punjab, the Indian Systems of Medicine and Homoeopathy (ISM&H) could not be made effective. The major percentage of expenditure was on salaries and negligible expenditure was incurred on medicines. Although sufficient infrastructure had been created in Government Ayurvedic Pharmacy, Patiala for manufacture of Ayurvedic drugs, only negligible expenditure was incurred on purchase of raw herbs to be used for preparation of Ayurvedic drugs. As a result, no medicine could be provided to the hospitals/dispensaries and there were no indoor patients in 10-bedded Ayurvedic Hospital, Ludhiana and seven Ayurvedic Swasth Kendras. This led to unfruitful expenditure on pay and allowances of idle staff.

- ***More than 98 per cent expenditure was incurred on salaries and negligible expenditure was incurred on medicines etc. Per patient expenditure on medicines decreased from 76 paise in 1999-2000 to 22 paise in 2003-04 (ISM) and ranged between 3 paise and Rs 1.20 (Homoeopathy) during 1999-2004.***

(Paragraph 3.4.6)

- ***Rupees 1.91 crore for Ayurveda released by Government of India were either not released by State Government or released only at the end of the year.***

(Paragraph 3.4.6)

- ***Rupees 0.19 crore for Homoeopathy released by Government of India could not be utilised due to late sanctioning of scheme by the State Government.***

(Paragraph 3.4.6)

- ***The department not only failed to fully utilise the funds received from Government of India for Government Ayurvedic Pharmacy Patiala but also incurred ungainful expenditure of Rs 36.98 lakh on purchase of machinery.***

(Paragraph 3.4.24)

- ***As no indoor patients were admitted in hospitals/Swasth Kendras, unfruitful expenditure of Rs 1.19 crore was incurred on account of pay and allowances of idle staff.***

(Paragraphs 3.4.17 to 3.4.19)

- ***Response to the proposal to surrender 32 posts which could have saved Rs 40 lakh per year sent to Director, Research and Medical Education in November 1999 has not been received so far.***

(Paragraph 3.4.15)

Introduction

3.4.1. Indian Systems of Medicine and Homoeopathy (ISM&H) covers both systems that originated in India and those that originated outside but adopted and adapted in India in course of time. These systems are Ayurveda, Sidha, Unani, Yoga and Naturopathy and Homoeopathy. Out of the above systems, Ayurveda system is more popular in Punjab. These systems have been providing health care services to a large section of the population particularly in rural areas.

Organisational set-up

3.4.2. Principal Secretary to Government of Punjab, Health and Family Welfare is the overall incharge of both the systems.

Indian Systems of Medicine

The work of ISM in the State is looked after by the Director (Ayurveda), assisted by Joint Director and Deputy Director at Headquarters and by District Ayurveda and Unani Officer-cum-Drug Inspectors and Ayurvedic Medical Officers at district level. There is also one Government Ayurvedic College at Patiala under the control of Director, Research and Medical Education (DRME).

Homoeopathy

Department of Homoeopathy is looked after by the Head of Homoeopathic, who is assisted by Assistant Director (Homoeopathy) at Headquarters and by District Homoeopathic Medical Officers and Homoeopathic Medical Officers at district level.

Programme objectives

3.4.3. The objectives of this programme are:

Indian Systems of Medicine

- treatment of common and chronic diseases through popular methods of alternative systems of medicine such as Panch Karma, Kshar Sutras, Yoga, Naturopathy and Regimentary Therapy.
- expression and popularisation of Indian Systems of Medicine (ISM).
- to provide specialised preventive, promotive, curative and rehabilitating health cure to the ailing masses.

Homoeopathy

The main objective of this system is to provide medical services to maximum patients in the rural as well as urban areas with minimum cost.

Audit objectives

3.4.4. The main audit objectives of the systems were:

- to examine the extent of utilisation of funds and grants-in-aid given under the system,
- to review the infrastructure for training and facilities created in various training institutions,
- to examine availability of infrastructure and modern basic facilities in various institutions and
- to review the effectiveness of delivery mechanism under this system of medicine in the State of Punjab.

Scope of Audit

Indian Systems of Medicines

3.4.5. There are five 10 bedded Hospitals, 17 Swasth Kendras and 507 Ayurvedic/Unani dispensaries, out of which 446 are rural dispensaries. One Government Ayurvedic Pharmacy is at Patiala. There is a Government Ayurvedic College at Patiala attached with 106 bedded Government Ayurvedic Hospital, Patiala under the control of DRME.

Records of office of Director, Ayurveda, Pharmacy, College and Hospital and four districts (Gurdaspur, Hoshiarpur, Jalandhar and Ludhiana) comprising of three 10 bedded Hospitals, nine Swasth Kendras and 204 dispensaries were test checked for the period 1999-2004 between April- May 2004.

Homoeopathy

Records of Directorate and 38 Homoeopathy dispensaries, out of total 107, for the period 1999-2004 were test checked during April-May 2004. The only 10 bedded Skin and Cancer Hospital at Jalandhar was closed in November 2002 and was converted into two dispensaries as the Hospital had become non-functional due to non-admission of indoor patients.

Financial outlay and expenditure

3.4.6. To popularise ISM&H, funds are provided by the State Government through budget. Government of India (GOI) also provides funds to the State Government for Centrally Sponsored Schemes (CSSs).

Allotment of funds and expenditure in respect of ISM&H for the last five years was as under:

Indian Systems of Medicine

(Rupees in crore)

Year	State Plan/Non Plan schemes								Central Assistance	
	Allot-ment	Expenditure	Expendi-ture on salary	Percen-tage	Expendi-ture on medicine	Percen-tage	Total No. of patients (in crore)	Expenditure per patient (in Rupees)	Allot-ment	Expen-diture
1999-2k	21.61	21.35	21.05	98.6	0.13	0.6	0.17	0.76	0.55	-
2000-01	25.45	22.46	22.16	98.7	0.09	0.4	0.17	0.53	0.55	-
2001-02	26.58	23.90	23.61	98.8	0.11	0.5	0.18	0.61	0.55	-
2002-03	26.27	24.90	24.50	98.4	0.10	0.4	0.18	0.56	0.21	-
2003-04	26.80	23.74	23.40	98.6	0.04	0.2	0.18	0.22	0.05	-
Total	**126.71**	**116.35**	**114.72**		**0.47**		**0.88**		**1.91**	**-**

More than 98 *per cent* expenditure was on salaries and negligible expenditure was incurred on medicines etc.

Homoeopathy

(Rupees in crore)

Year	State Plan/Non Plan schemes								Central Assistance	
	Allot-ment	Expenditure	Expendi-ture on salary	Percen-tage	Expendi-ture on medicine	Percen-tage	Total No. of patients (in crore)	Expenditure per patient (in Rupees)	Allot-ment	Expen-diture
1999-2k	3.66	3.61	3.56	98.6	---*	--	0.10	0.03	--	--
2000-01	3.95	4.15	3.99	96.0	0.12	2.9	0.10	1.20	--	--
2001-02	4.65	4.28	4.23	98.8	---**	--	0.10	0.05	--	--
2002-03	4.86	4.58	4.51	98.5	0.01	0.2	0.11	0.09	--	--
2003-04	4.96	4.86	4.74	97.5	0.05	1.0	0.12	0.42	0.19	--
Total	**22.08**	**21.48**	**21.03**		**0.18**		**0.53**		**0.19**	**--**

*** Rs 32000/- only and ** Rs 48000/- only.***

Per patient expenditure on medicines decreased from 76 paise (1999-2000) to 22 paise (2003-04) under ISM and it ranged between 3 paise and Rs 1.20 under Homoeopathy during 1999-2004.

Major expenditure was on salaries and nominal expenditure was incurred on medicines and equipment. Percentage of expenditure incurred on material and supply and medicines with reference to total expenditure ranged between 0.2 and 0.6 *per cent* in respect of Ayurveda and between nil and 2.9 *per cent* in respect of Homoeopathy during the period 1999-2004 which shows that negligible expenditure was incurred on purchase of medicines etc. depriving the people of the intended benefits.

Funds could not be utilised either due to non-release of funds by State Government or released at the fag end of year and late approval of the scheme by State Government

Rupees 1.91 crore released by GOI during 1999-2004 for seven CSSs of Ayurveda could not be utilised due to non-release of funds by the State Government (Rs 1.65 crore) and delayed release of funds (Rs 0.26 crore). Similarly, Rs 0.19 crore received from GOI in December 2003 for CSSs of Homoeopathy could not be utilised due to late approval (31st March 2004) of the scheme by the State Government.

Against the approved outlay of Rs 3.75 crore in the 9th plan (1997-2001), expenditure of Rs 3.50 crore incurred was on salaries and no expenditure was incurred on new schemes. In the 10th plan (2002-07), against the approved outlay of Rs 12.95 crore, expenditure of only Rs 0.24 crore (Pradhan Mantri Gramodaya Yojana) was incurred upto March 2004. Similarly, under Homoeopathy, against the approved outlay of Rs 2.72 crore (9th plan) and

Rs 3.10 crore (10th Plan), expenditure of only Rs 3.24 lakh and Rs 0.41 lakh (PMGY) respectively, was incurred upto March 2004.

Non-utilisation of grants-in-aid

Grant of Rs 32 lakh released by GOI in February 2002 and required to be utilised within six months has not been fully utilised so far

3.4.7. For strengthening the existing under-graduate colleges of ISM&H, GOI sanctioned (October 2001) and released (February 2002) Rs 32 lakh (Hostel facilities for girls: Rs 20 lakh; Equipment: Rs 10 lakh and Library books: Rs 2 lakh) to be utilised during the year 2001-02. But the amount was kept in the shape of Fixed Deposit Receipts (FDRs) in March 2002. Out of this, Rs 20 lakh (Rs 10 lakh each in October 2003 and March 2004) was placed at the disposal of PWD authorities for construction of hostel for girls, against which expenditure of Rs 8.72 lakh had been incurred and the work was still in progress (July 2004). Out of Rupees two lakh provided for library books, Rs 1.17 lakh were spent in March 2004 leaving an unspent total grant of Rs 10.83 lakh with the college (excluding interest of Rs 1.99 lakh earned on FDRs amounting to Rs 22 lakh upto March 2004).

Thus, the purpose for which the Government of India released the grants to the college during 2001-02 could not be achieved so far and the students were deprived of the intended benefits.

The department stated that the amount was kept in the shape of FDRs due to procedural delay. The reply was not tenable as the purpose for which the grant was given, remained unachieved despite availability of funds for a period of almost three years.

System of Education and Training under ISM&H

3.4.8. In Punjab, there is only one Government Ayurvedic College with an attached 106 bedded Ayurvedic Hospital and an Ayurvedic Pharmacy at Patiala for imparting practical/ clinical training to the students. Due to non- availability of specialised teaching staff as per norms of Central Council of Indian Medicines (CCIM), Post Graduate Course was discontinued and adequate practical/clinical training to the students was not being provided.

Discontinuance of courses

3.4.9. The Government Ayurvedic College, Patiala (College) was established in 1952 and was providing education in Up-Vaidya Course (2¼ years), Graduate Course (5½ years) and Post Graduate Course (3 years). At present, only one course i.e. Graduate Course (5½years) was available. The Up-Vaidya Course was discontinued (1984) by the Government because of availability of number of qualified Up-Vaidyas in the market. The Post Graduate course was held in abeyance (August 2000) by CCIM as the teachers were not possessing Post Graduate qualifications in the concerned subject and were not as per norms of CCIM.

Although four years have elapsed, the college authorities had not taken any steps to get these courses restarted (August 2004).

Non-availability of specialised teaching staff

3.4.10. As per guidelines issued by the Department of ISM&H (applicable for recruitments made after 1st July 1989), a post graduate qualification in the subject/speciality concerned was essential for the Bachelor degree course.

Test check of relevant records of the College revealed that all the teachers were having post graduate qualifications in three subjects viz. Drava Guna, Ras Shastra and Kaya Chikitsa which were meant for manning posts in only three departments (out of 12 departments) of the college. Thus, the students were deprived of the necessary guidance of the specialised subject teacher in other faculties such as Shalkaya (ENT), Shalya (Surgery), Rog Nidan (Pathology) etc.

The department stated that the recruitment was done by the DRME/ Director, Ayurveda under the Punjab Ayurvedic (Technical) Service Class I, II, & III Rules, 1963 vide which there was no provision of posting of concerned subject post graduate in the speciality.

The reply of the department was not tenable as most of the teachers were appointed after July 1989 i.e. after issue of the above instructions.

Similarly, there was no Yoga Lecturer in the college since December 2000.

Inadequate practical training to students

Practical training imparted to the students was inadequate

3.4.11. As per prescribed syllabus, the students are to be given adequate practical training in final professional BAMS in the Hospital. The practical training period ranged between one month and 12 months according to the subject which *inter-alia* including Prasuti Tantra Avam Strirog, Kaya Chikitsa, Shalya Tantra (one month in X-Ray) and Shalakya Tantra (at least one month in Operation Theatre).

It was however, noticed that during 1999-2004:

- No delivery case was done due to lack of medical facilities and funds.
- X-Ray machine was lying idle due to non posting of Radiologist since 1993.
- No ENT operation was done due to lack of medical facilities and funds.
- No surgical operation was conducted due to lack of medical facilities and funds.

This shows that inadequate practical training was being imparted to students in the absence of medical facilities/funds/requisite staff/equipment etc.

Improper facilities for clinical/practical training

3.4.12. As per guidelines, there must be a hospital attached with every Ayurvedic College. But the Ayurveda Hospital attached to the College was about five kilometres away and there was no transport facility available to the students. Similarly, Pharmacy was also about five kilometres away from the college and the students have to cover a long distance for acquiring practical knowledge of rawherbs etc. used for preparation of medicines/drugs at the Pharmacy.

The department stated that the State Government turned down the request for the purchase of a van for this purpose. Further, Herb Garden/Vanaspati Van for practical demonstration and identification of plants and Animal house for demonstrating effects of medicines on animal were not established.

3.4.13. Drug Testing Laboratory is required to ensure manufacturing and marketing of good quality medicines. But it was not established although necessary funds for the same were provided by GOI under CSSs during 1999-2002.

Delivery of health-care services

3.4.14. For popularisation of ISM & H and treatment of chronic and common diseases, better health care services were to be provided by all the hospitals/ dispensaries in the State for which the proper infrastructure/ equipment etc. was to be arranged by the State Government. Although there was a declining trend in number of patients, the staff posted was not reduced accordingly. Similarly, in the 10 bedded Hospital, Ludhiana and seven Swasth Kendras, there were no indoor patients but the staff deployed for indoor patients continued.

Avoidable expenditure on pay and allowances at Government Ayurvedic Hospital, Patiala

3.4.15. As per norms fixed by CCIM, minimum bed occupancy should not be less than 60 *per cent* in any case. The average bed occupancy in the hospital during the years 1999-2004 was as follows:

Year	Out patients	In patients	Bed strength	Bed occupancy	Percentage
1999-2000	16539	573	106	29	27
2000-2001	14823	634	106	22	21
2001-2002	15110	811	106	27	25
2002-2003	13890	487	106	20	19
2003-2004	14742	386	106	18	17

The average daily bed occupancy which was 55 *per cent* in 1982-83 continued to decrease and came down to 17 *per cent* of the total bed strength during 2003-2004.

No response to the proposal to surrender 32 posts which could have saved Rs 40 lakh per year sent to DRME in November 1999 has been received so far

The number of out patients and in patients which were 51377 and 1251 in 1982-83 continued to decline and came down to 14742 and 386 respectively during 2003-04. In view of the declining trend of the patients, a proposal to surrender 32 posts (***Appendix-XXIX***) in different categories was sent by the Superintendent to DRME in November 1999 anticipating a saving of Rs 40 lakh per year but no response has been received so far (July 2004). This had resulted in undue burdening the state exchequer due to continuance of surplus staff since November 1999 which otherwise could have been utilised properly elsewhere.

In reply, the department stated that declining trend in the indoor patients was due to non-provision of adequate budget resulting in non-providing of medical facilities. The reply was not tenable as most of the budget allotment was being utilised towards salary and department had also failed to utilise funds provided by GOI. Thus, the funds for ensuring supply of medicines, creation and proper utilisation of medical facilities and equipment were not available.

Non-availability of basic facilities/ services at Government Ayurvedic Hospital, Patiala

3.4.16. Supply of medicines in the Hospital was not received since April 2002 which resulted in decline in the number of patients. X-Ray plant installed (1991) at a cost of Rs 3.35 lakh was lying idle since April 1993 due to non-posting of Radiographer. In the absence of these facilities, proper diagnosis of patients could not be done in cases where X-Ray was required. Necessary equipments/ instruments required for Shalakya (ENT/Eye) Department for proper treatment of patients were also not available. Similarly, in Istri Rog (Gynaecology) Department, facilities for delivery cases were not available. Water supply which is most important requirement of the Hospital was also not available due to non-working of tubewell since January 2004.

In reply, Medical Superintendent stated (April 2004) that poor facilities were due to lack of funds.

Improper functioning of 10 bedded Ayurvedic Hospitals

3.4.17. With a view to provide facility to indoor patients, the Punjab Government established five[20] 10 bedded Ayurvedic Hospitals.

As no indoor patient was admitted, expenditure of Rs 31.73 lakh on account of pay and allowances of idle staff remained unfruitful

It was, however, noticed that no indoor patient was admitted in the hospital at Ludhiana during 1999-2004. In the absence of any indoor patients, staff deployed for indoor duties remained idle during this period and the pay and allowances of Rs 25.27 lakh paid to them turned out to be unfruitful. The position of indoor patients in other hospitals during 1999-2004 was also very low (Hoshiarpur: 86 patients and Jalandhar: 419 patients) defeating the very purpose of setting up of these hospitals for delivery of health services under this system and optimum utilisation of staff deployed in these hospitals.

In reply, it was stated that the staff was sanctioned by the Government. The reply was not tenable as the position of staff required should have been reviewed periodically and brought to the notice of the Government.

3.4.18. One post each of Cook and Kitchen-bearer in 10 bedded Hospital, Jalandhar was sanctioned during 1990-91. It was, however, noticed that no diet money was provided in the budget during the period 1999-2004. In the absence of the same, the services of Cook and Kitchen-bearer were not

[20] Amritsar, Bathinda, Hoshiarpur, Jalandhar and Ludhiana.

gainfully utilised for the purpose for which they were posted resulting in unfruitful expenditure of Rs 6.46 lakh on their pay and allowances during the period.

Absence of indoor patients at Swasth Kendras

3.4.19. With a view to provide facility to indoor patients, five beds facility was to be provided (April 1991) in 17 Swasth Kendras (Kendras) which were upgraded from the level of existing Ayurvedic dispensaries. Three additional posts viz. one each of Senior Ayurvedic Medical Officer, Nurse and Chowkidar were sanctioned (April 1991).

Ungainful expenditure of Rs 87.34 lakh was incurred on pay and allowances of idle staff as there was no indoor patient

Test check of records of seven Kendras revealed that no indoor patient was admitted in these Kendras during 1999-2004. It was further noticed that even no bed for indoor patients was provided in these Kendras. Thus, sanctioning and posting of additional staff for these Kendras without ensuring the availability of basic infrastructure, indoor facilities and space, no indoor patient was admitted and entire additional staff deployed in the Kendras remained idle. This had resulted in ungainful expenditure of Rs 87.34 lakh on account of their pay and allowances during 1999-2004.

In reply, it was stated that the staff was posted by the Directorate and non-availability of indoor facilities/space was already in the notice of higher authorities. The reply was not acceptable as the position should have been reviewed periodically and brought to the notice of higher authorities.

Expenditure on non-functional dispensaries

3.4.20. One Ayurvedic Medical Officer (AMO) and a Dispenser are required for smooth and effective running of each Ayurvedic dispensary.

Expenditure of Rs 11.21 lakh incurred on pay and allowances of Trained Dais in the absence of AMOs, was unjustified

Test check of records of 204 dispensaries revealed that no AMO was posted in 22 to 33 dispensaries during 1999-2004. In seven dispensaries, even a Dispenser was not posted and only a Trained Dai was running the dispensaries. In the absence of AMOs and Dispensers, the expenditure of Rs 11.21 lakh incurred on the pay and allowances of trained Dais during 1999-2004 was not justified.

The department stated that the matter would be taken up with the Government. Further developments were awaited (August 2004).

Non-adherence to the norms for opening of ISM dispensaries

3.4.21. As per instructions issued (1987) by the Head of Ayurveda, a new Ayurvedic dispensary shall be opened where rent free accommodation consisting of four rooms and sufficient covered area or Veranda alongwith facility for water, electricity, bathroom and toilet etc., are provided by the residents.

Out of 204 dispensaries test checked, 47 dispensaries were opened in one room each, 84 in two rooms and 63 were opened in three rooms. Fifty eight

Most of the dispensaries were opened in insufficient space

dispensaries were opened without having basic facility of water, electricity and toilet whereas in 79 dispensaries only one or two of the above basic facilities were available. Thus, the norms fixed for opening a new dispensary were not followed.

In reply, the department stated that the matter would be looked into and action taken accordingly. Further developments were awaited (August 2004).

Non-posting of Unani Medical Officers in Unani dispensaries

3.4.22. There were 35 Unani dispensaries functioning in the State. Test check of records in four districts revealed that in 13 Unani dispensaries, three Unani Medical Officers were posted in the Unani dispensaries although seven Unani Medical Officers were available and the remaining four were posted in Ayurvedic dispensaries and AMOs were working in the Unani dispensaries. Thus, the very purpose of opening of Unani dispensaries was defeated as Unani Medical Officers were not posted and the beneficiaries were also deprived of the available treatment under Unani System of Medicine.

Non-manufacturing of medicines in the pharmacy at Patiala

3.4.23. As per standard norms, a pharmacopoeia listing 79 medicines was drawn up in December 1988 by the Director for manufacturing drugs/medicines in the pharmacy store. The number of drugs actually prepared, however, ranged between four and 17 during 1999-2004 which were far less than the required number.

The department stated that the medicines could not be prepared due to shortage of funds. The reply of the department was not acceptable as there was a saving of Rs 5.22 lakh and Rs 6.88 lakh during 1999-2000 and 2002-03 in which years only four and seven medicines respectively, were prepared in the Pharmacy though infrastructure viz. machinery/equipments were available.

Non-installation of machinery due to non-construction of machine room at Patiala

3.4.24. For strengthening the Pharmacies of ISM&H, GOI sanctioned (March 2001) grant-in-aid of Rs 95 lakh to the Pharmacy and subsequently released (April 2001) Rs 70.39 lakh as the first instalment for the construction of building and purchase of machinery/equipment. The entire amount was deposited in saving account in a bank. Out of this, an expenditure of Rs 48.34 lakh was incurred (Rs 8.16 lakh on repair/renovation of building/machine room; Rs 0.82 lakh on purchase of photocopier; and Rs 39.36 lakh on procurement of machinery and equipment) upto March 2004 and the balance amount of Rs 28.13 lakh including interest of Rs 6.08 lakh was lying unspent in the bank.

Of the machinery received, only one distillation plant valuing Rs 3.20 lakh was installed/working and the remaining machinery was still lying packed and its warranty/ guarantee period is to expire in August / September 2005 in most of the cases. Construction of machine room has also not been taken up so far

(July 2004). Purchase of photocopier worth Rs 0.82 lakh which was also not covered under the scheme, was lying unused and its warranty had already expired in May 2004.

The department incurred ungainful expenditure of Rs 36.98 lakh on purchase of machinery not installed so far

This resulted in ungainful expenditure of Rs 36.98 lakh on the purchase of machinery without construction of the machine room for its installation.

In reply, it was stated (April 2004) that the construction of machine room would take another six months. Reply was not acceptable as the purchase of machinery should have been synchronised with the completion of construction work.

Non-taking of samples of Ayurvedic/Unani drugs

The only sample taken has not been got tested so far

3.4.25. As per Section 33-G of Drugs and Cosmetics Act,1940 read with Rule 162 of Drugs and Cosmetics Rules,1945, the District Ayurvedic and Unani Officers are empowered to take samples of drugs manufactured and send them for analysis. No sample of Ayurvedic/Unani drugs was taken by the Ayurveda Department during 1999-2004 except one sample in Ludhiana in December 2003 which was still lying in the custody of the department and has not been got tested so far as there was no laboratory for testing Ayurvedic medicines in the State.

Homoeopathic dispensaries without basic facilities

3.4.26. No criteria for opening a Homoeopathic dispensary had been fixed by the Head of Homoeopathy, Punjab. Test check of records in four districts revealed that in one dispensary, no basic facility of water, electricity and toilet etc. was available. In 15 dispensaries, one or two basic facilities were available. Further scrutiny revealed that nine dispensaries were running in one room space and 21 dispensaries were having only two rooms which were not sufficient for smooth and effective running of the dispensaries. Supply of medicines was also not sufficient as per requirements. In the absence of sufficient space and medicines, the purpose of opening these dispensaries could not be achieved.

3.4.27. No life saving drugs were available in the Government Ayurvedic Hospital/dispensaries for chronic patients.

Improper maintenance of licence register

3.4.28. Licence register is the primary and most important record to indicate the number of licences issued/ renewed or cancelled pertaining to manufacturers of Ayurvedic drugs. The licence register containing entries upto serial number 456 had been lying in the court and no efforts were made to obtain the photocopies of the same. The licence register for the period December 1998 onwards was also not being maintained properly as entries of licences issued at some serial numbers were not authenticated by the competent authority and some had been left blank. Thus, the purpose of prescribing the license register was defeated.

In reply, the department stated that efforts would be made to get the entries in licence register authenticated now. Further developments were awaited (August 2004).

Monitoring and Evaluation

3.4.29. To review the effectiveness of ISM&H in the State and its impact on the masses, the department did not evolve any mechanism for effective monitoring of both the systems and had not carried out any evaluation itself or by any independent agency.

Conclusions

3.4.30. In Punjab, Indian System of Medicine and Homoeopathy was not popularised effectively as the number of outdoor/indoor patients continued to decrease. Insignificant expenditure was incurred during 9^{th} and 10^{th} plan. During 1999-2004, more than 98 *per cent* of expenditure was on salaries and only negligible amount was spent on purchase of medicines, material and supply and other infrastructure. The grants received from Government of India were either not released by the State Government or in some cases, these were released at the fag end of the year. For Homoeopathy, grants received from Government of India could not be utilised due to late approval of the schemes by the State Government. In most of the hospitals, no indoor patients were admitted due to non-availability of basic infrastructure, equipment and sufficient space resulting in idling of staff. Basic facilities such as X-Ray, medicines, latest equipment, water, electricity etc., were not available in most of the hospitals/Swasth Kendras/ dispensaries. Machinery, though received, had not been installed in the Pharmacy so far due to non-construction of machine room.

3.4.31. In order to have replies from Government to the audit observations issued in June 2004, a mechanism to hold meetings with the Administrative Secretaries was evolved. Accordingly, a meeting with the Administrative Secretaries under the Chairmanship of Chief Secretary was held on 27 August 2004 and the Secretary, Health and Family Welfare was instructed to furnish replies within two weeks; no reply has been received.

Recommendations

- To utilise infrastructure already provided in the Government Ayurvedic Hospital, Patiala and Government Ayurvedic Pharmacy at Patiala, sufficient funds may be provided by the State Government for raw material/medicines etc.
- Efforts may be made to utilise the funds provided by Government of India in a time bound and planned manner so as to derive the benefits.
- The Government should review the requirement of staff with various hospitals/swasth kendras/teaching establishments with an aim to assess the requirements based on work load and consider redeployment for

maximising the utilisation of infrastructure so created for the benefit of patients.

- Urgent steps should be taken for the creation of facilities for testing of Ayurvedic drugs.

3.5. RELEASE AND RECOVERY OF INCENTIVES AND OTHER DUES FROM INDUSTRIAL UNITS AND OTHERS

INDUSTRIES AND COMMERCE DEPARTMENT

Highlights

The Industries and Commerce Department of Punjab had extended packages of incentives to different industries in the form of Interest Free Loans (IFLs), Sales Tax exemption/deferment etc. Despite giving many incentives, the average growth rate of new industries that were set up was on the decline. Large amounts of IFLs were outstanding for recovery and sanction of Sales Tax Exemptions (STEs) were also granted to inadmissible units. Further, statutory dues towards royalty from contract mining and from Brick Kiln Owners were outstanding for recovery.

- ***Though the unit had gone sick and a liability of Rs 9.61 crore against fixed assets was outstanding against the firm, the firm was granted IFL resulting in non-recovery of Rs 98.54 lakh.***

(Paragraph 3.5.8)

- ***Irregular Sales Tax Exemption (STE) of Rs 7.41 crore and Rs 3.15 crore was allowed to one unit each of Ropar and Ludhiana although the units had not even purchased land upto the stipulated date.***

(Paragraphs 3.5.9 & 3.5.10)

- ***Excess STE of Rs 4.59 crore allowed on freight and installation charges of Rs 1.53 crore paid on purchase of indigenous machinery.***

(Paragraph 3.5.12)

- ***Rupees 15.55 crore remained unrecovered from 46 closed units despite these cases being referred to the revenue authorities for effecting recovery as arrears of land revenue.***

(Paragraph 3.5.16)

- ***Recovery of Rs 2.22 crore of IFL granted to six spinning mills remained doubtful as all these mills were under liquidation.***

(Paragraph 3.5.15)

- ***Failure to monitor properly the land auction proceedings led to non-recovery of Rs 1.31 crore towards IFL and interest.***

(Paragraph 3.5.14)

Introduction

3.5.1. The Department of Industries and Commerce has to play a pivotal role in rendering multifarious and consistent assistance to the entrepreneurs in the implementation of their industrial ventures. The process of assistance begins with the very first stage of project identification to financial assistance upto the commissioning of industrial units. The domain of assistance is not only confined to new entrepreneurs, even the existing industry is also helped in the process of continuous up-gradation of technology and modernisation.

With a view to promote the growth of industries in the State, Government introduced number of packages of incentives vide various Industrial Policies such as: Industrial Policy, 1978 (for granting interest free loans); Industrial Policy, 1992 (for granting investment incentives); Industrial Policy, 1996 (modified scheme for granting investment incentives, Sales Tax exemption and deferment etc); Industrial Policy, 2003 (for granting investment incentives and freight subsidy for Export).

The Sales Tax exemption/deferment scheme was discontinued from 1st May 2000 excepting for units in field of Information Technology.

Organisational set-up

3.5.2. The Principal Secretary to Government of Punjab, Department of Industries and Commerce is overall incharge of the Department. The Director, Industries and Commerce (Director) is implementing authority of various schemes and industrial policies and is assisted by Joint Directors at Headquarters and 17 General Managers (GMs) incharge of District Industries Centres (DICs) at the district level.

Programme objectives

3.5.3. The main objectives to grant incentives under various industrial policies introduced by the State Government from time to time were to:

- accelerate the pace of industrialisation in the State and to attract entrepreneurs and generate maximum industrial employment;
- grant incentives to the new industrial units which included mainly IFLs, investment incentive (capital subsidy), and scheme of sales tax exemption/ deferment;
- to create a conducive investment climate through infrastructure creation, reduce regulation and general facilitation.

Audit objectives

3.5.4. The objective of Audit during review was mainly to examine:

- the degree of compliance to various policies and instructions for accelerating the pace of industrialisation,
- the extent of adherence to various procedures for sanction and release of incentives and
- procedure and recovery position of incentives, royalties and fees due from the industrial units.

Scope of Audit

3.5.5. Records for the period 1999-2004 were test checked during January 2004 to March 2004 in the office of the Director and subordinate offices in four out of 17 District Industries Centres viz. (i) Fatehgarh Sahib (ii) Jalandhar (iii) Ludhiana (iv) Ropar.

Financial outlay and expenditure

3.5.6. Year-wise details of the budget provision and expenditure under incentives during the period 1999-2004 were as under:

(***Rupees in crore***)

Year	Budget provision	Expenditure
1999-2000	15.00	14.50
2000-2001	06.42	05.00
2001-2002	02.00*	--
2002-2003	---	---
2003-2004	50.00*	----
Total	**73.42**	**19.50**

****** Although budget provision of Rs 52 crore was made for the year 2001-2002 and 2003-2004, no funds were released by the State Government against the budgeted provision.*

Industrial Policy, 2003 envisaged extending of subsidy to units in border areas and incentives to Agro, Food Processing, Electronics Industries, Information Technology (IT) and its allied services and freight subsidy to exporters. Industrial Policy, 2003 remained non-starter as funds of Rs 100 crore provided in Annual Plan for the year 2003-04 for its implementation were not released by the State Government. The position of release of incentives to new units was also adversely affected on account of non-recovery of IFLs earlier released to various units.

Cases of non-recovery of IFLs, inadmissible payments of IFLs, irregular grant of STE, excess sanction of STE and non-recovery of royalty and other dues as noticed in audit are discussed in subsequent paras.

Non-payment of Investment Incentive (Capital Subsidy)

3.5.7. Under Industrial Policy, 1992/1996, industrial units starting commercial production on or after 1st October 1992/1st April 1996 in a specified area were eligible for investment incentive (Capital Subsidy) at the rate of 20 or 30 *per cent* of their fixed capital investment depending upon the area where the unit was located.

In 5592 cases, incentives on account of investment incentive (capital subsidy) amounting to Rs 504.72 crore sanctioned during April 1996 to March 2004 for boosting industrial growth, had not been disbursed to industrial units as of March 2004. This also had adverse impact on the industrial growth in the State which had declined from 11.78 *per cent* in 1998-99 to 5.73 *per cent* in 2000-01. The position of new units set up, employment and fixed investment showed a declining trend as under:

	1999-2000	2000-01	2001-02	2002-03	2003-04
1. Units (Nos.)	1795	1590	1187	856	744
2. Employment (Nos.)	19380	17285	14773	11236	8652
3. Fixed investment (*Rupees in crore*)	523.08	535.88	622.41	371.47	184.33

Release of IFL to a sick unit

3.5.8. Director of Industries sanctioned (September 1986) IFL of Rs 42.61 lakh to be paid in eight instalments to a firm. The loan was recoverable in three equal annual instalments of Rs 14.20 lakh each w.e.f. 1st October 1997 failing which penal interest at 16 *per cent* per annum was to be charged for the period of default. After payment of first instalment of IFL of Rs 0.64 lakh in September 1986, the GM, DIC, Hoshiarpur informed (August 1993) the Director that the unit had gone sick and a liability of Rs 9.61 crore against the fixed assets of Rs 3.50 crore was outstanding against the firm and as such, it was not a fit case to disburse IFL. Despite this, balance seven instalments aggregating Rs 41.97 lakh were released to the firm within three months (January 1994 to April 1994). The unit failed to repay the loan. Thus, the action of the department in releasing the loan to a sick unit despite having been intimated by the GM, had put the State Government to a loss of Rs 98.54 lakh (Principal: Rs 42.61 lakh and Interest: Rs 55.93 lakh) upto March 2004.

GM admitted (February 2004) the facts and also stated that the matter for recovery of loan and interest thereon as arrears of land revenue has not been taken up with the Collector as the unit has since been referred to Board of Industrial and Financial Reconstruction (BIFR).

Irregular grant of Sales Tax Exemption (STE)

3.5.9. As per Punjab Industrial Incentive Code under the Industrial Policy- 1996, new industrial units that came into production or undertake expansion on or after 1st April 1996 were eligible for STE at the rate of 300 *per cent* of Fixed Capital Investment (FCI) or 150 *per cent* in areas specified in category 'A' and 'B' for 120 months or 84 months respectively.

State Government while amending Industrial Policy, 1996 in April 2000 had decided to discontinue the STE with effect from 1st May 2000 except the following:

- Information Technology units
- Units which may have taken following steps or which may take these effective steps by 30 April 2000 will also be eligible for grant of STE after coming into production
- Registration with Department of Industries & Commerce
- Purchase of land for the project
- Submission of loan application with the Financial Institution

Or

- Units for which Industrial Licence was required to be obtained, the grant of such Industrial Licence by 30 April 2000 would be considered as an effective step.

Scrutiny of records of GM, DIC, Mohali (Ropar) revealed that ST exemption of Rs 7.41 crore was irregularly granted (November 2002) to a Small Scale Industrial (SSI) unit on the basis of FCI of Rs 2.47 crore @ 300 *per cent* for

Irregular ST exemption of Rs 10.56 crore was allowed to two units as they did not purchase land by the stipulated date

120 months w.e.f. 10 April 2002. The exemption was not admissible as the unit had not purchased land (an essential step for grant of exemption) by 30 April 2000. The land was, however, purchased in March 2001. The unit had only executed an agreement on 24 March 2000 for the purchase of land which was not a valid document for availing ST exemption. This was also clarified (August 2001) by the Director in respect of similar case of Moga district that sale deed of land was only an authentic proof of purchase of land.

3.5.10. Similarly, GM, DIC, Ludhiana allowed (June 2003) STE of Rs 3.15 crore to a SSI unit on the basis of FCI of Rs 1.05 crore @ 300 *per cent* for 120 months w.e.f. 25 March 2002. The exemption was not admissible to the unit as it had not purchased land by 30 April 2000. The land was actually purchased in September 2000. The unit had only executed an agreement on 10 April 2000 for purchase of land with the land owner which was not a valid document for availing STE.

Inadmissible ST exemption

3.5.11. Small Scale Industrial (SSI) units which came into production on or after 1^{st} April 1996 and continuing in production for three years were eligible for STE on expansion.

Inadmissible ST exemption of Rs 65.82 lakh was granted to a unit on expansion which did not remain in commercial production for three years

It was observed in audit that a SSI unit had started commercial production only on 8 November 1996. The unit was also allowed STE of Rs 65.82 lakh @ 300 *per cent* on FCI of Rs 21.94 lakh w.e.f. 4 October 1997 on expansion in violation of the guidelines.

On being pointed out (November 2001), the GM stated (April 2003) that the benefit had been withdrawn in January 2000. But, it was noticed that the benefit stated to have been withdrawn by the Director in January 2000 was actually withdrawn by GM in February 2003 i.e. after three years for which no reasons were assigned, resulting in irregular availment of STE by the unit upto February 2003. Details regarding STE availed of by the unit and adjusted by the Excise and Taxation Department during the period were awaited.

Excess sanction of STE

3.5.12. As per the Punjab Industrial Incentive Code under the Industrial Policy, 1996, STE was to be granted on the basic price in case of indigenous machinery.

Excess STE of Rs 4.59 crore allowed on freight and installation charges of Rs 1.53 crore paid on purchase of indigenous machinery

A unit was allowed (May 2001) STE of Rs 52.86 crore @ 300 *per cent* for 120 months from 22 March 2001 on FCI of Rs 17.62 crore including Rs 1.53 crore on account of freight and installation charges which were inadmissible. This had resulted in excess STE of Rs 4.59 crore to the unit. On being pointed out (June 2002), the GM, DIC, Bathinda stated (July 2004) that case for revision of STE as pointed out by Audit is being prepared.

Recoverable amount of Interest Free Loans (IFLs)

3.5.13. Under the Industrial Policy Statement –1978, IFL was repayable in three instalments falling due on 1^{st} of April following the 11^{th}, 12th and 13th anniversary of the disbursement of the first instalment of loan and in case of any default in repayment, penal interest at 16 *per cent* per annum was chargeable from the date of default. While no IFL was sanctioned/ disbursed during 2001-02 to 2003-04, the position of recovery as on 31 March 2004 was as under:

(*Rupees in crore*)

	Principal	Penal interest	Total
Amount due for recovery as on 31.3.2003	32.97	57.17	90.14
Amount due during 2003-04	3.58	7.45	11.03
Amount due for recovery as on 31.3.2004	36.55	64.62	101.17
Amount recovered during the year (1/4/03 to 31/03/04)	6.79	0.07	6.86
Balance recoverable	**29.76**	**64.55**	**94.31**

It was observed in audit that the Department, to ensure effective monitoring was not keeping age-wise analysis of the amounts outstanding for recovery from various industrial units and the same was only compiled and kept by the respective DICs. The failure of the department to recover Rs 94.31 crore not only adversely affected the financial position of Government but also resulted in non-sanction of IFL in subsequent years.

Loss to Government due to departmental delay

Improper monitoring of land auction proceedings led to non-recovery of Rs 1.31 crore towards IFL and interest

3.5.14. A firm with manufacturing unit at Malerkotla was paid IFL of Rs 53.83 lakh in eight[21] instalments between September 1986 and May 1995. The recovery of loan at Rs 17.94 lakh per instalment was to commence on each of the 11th, 12th and 13th anniversaries (i.e. on 15 September 1997, 1998 and 1999) of the disbursement of the 1st instalment failing which penal interest at the rate of 16 *per cent* per annum was chargeable from the date of default. Though the unit had closed permanently from 26 June 1997, the recovery certificate was only issued in March 1999, after a delay of almost two years. The Collector, Sangrur finally informed (July 2001) that the land (measuring 98 Bighas) of the unit had already been confiscated (Kurki) in December 1997 by the Labour Court and no other land was available with the unit at Malerkotla. The department failed to keep regular tab over proceedings of the land stated to have been confiscated by the Labour Court and only when audit took up the matter, the department informed (March 2004) that for another land, auction proceedings had been initiated by the SDM, Malerkotla. Further developments were awaited. In the absence of regular monitoring and delays, the recovery remained uneffected and an amount of Rs 1.31 crore (Principal: Rs 53.83 lakh and Interest: Rs 77.32 lakh) was remaining to be recovered from this unit.

Loss due to liquidation of units

3.5.15. With a view to produce quality cotton yarn and to provide employment in the cotton belt of the State, the State Government had set up seven spinning mills in cooperative sector. IFLs of Rs 2.22 crore were provided (1984-85 to

[21] Instalments on 15th September 1986: Rs 4.83 lakh and balance instalments of Rs 7 lakh each on 27th July 1988, 9th May 1990, 29th January 1992, 15th September 1992, 30th April 1993, 13th May 1993 and 16th May 1995.

Doubtful recovery of IFL amounting to Rs 2.22 crore due to liquidation of spinning mills

1994-95) to "The Punjab Co-Operative Cotton Marketing & Spinning Mills Federation Ltd." (SPINFED) for six[22] of seven mills that were set up. But due to recurring losses caused by commercial and technical factors, the mills could not return the loan and all the seven mills were closed between July 1995 and May 2002. As the mills have gone into liquidation during the period between April 1997 to May 2003, the chances of recovery of IFL amounting to Rs 2.22 crore appeared to be remote.

Non-recovery of IFL from closed units

3.5.16. Industrial Policy, 1978 lays down that in case the industrial unit having been granted IFL under these rules, ceases production permanently or otherwise winds up its business or goes into liquidation, IFL shall be recovered in lump sum as arrears of land revenue alongwith interest at the rate of 16 *per cent* per annum from the date the unit ceases production.

Rs 15.55 crore were recoverable on account of IFL from the closed units despite cases referred to revenue authorities

For monitoring of timely recovery of IFLs, a consolidated ledger is to be maintained by all DICs. It was, however, observed that this ledger was not updated and was not properly maintained, in the absence of which, the updated position of amount overdue and units that had closed down were not readily available. It was, however, seen that 46 units (Mohali –27 units and Ludhiana –19 units) to which IFL aggregating Rs 3.16 crore (Mohali: Rs 1.49 crore and Ludhiana: Rs 1.67 crore) was disbursed during May 1976 to June 1994, had closed down. Rs 15.55 crore (Mohali- Principal: Rs 1.28 crore, Interest: Rs 9.85 crore; Ludhiana- Principal: Rs 1.53 crore, Interest: Rs 2.89 crore) were recoverable from these units after adjusting the recovered amount of Rs 0.35 crore.

Recovery certificates for Rs 15.55 crore were issued by the department between June 1991 and August 2003 to the revenue authorities. Failure on the part of the department to pursue the cases effectively excepting occasional reminders made to the Revenue Department and subsequent failure on the part of the Revenue Department in taking appropriate expeditious action led to non-recovery of Rs 15.55 crore.

Non-recovery of royalty and mining charges

3.5.17. The Punjab Government (Department of Industries & Commerce) fixed (January 2002) the rates of royalty (ranging between Rs 2500 and Rs 12000 per annum depending upon the category of brick kiln) recoverable from Brick Kiln Owners (BKOs). These rates were made effective from 24 December 1999 under Punjab Minor Mineral Concession Rules, 1964 and the Director issued these instructions (March 2002) to all the General Manager-cum-Mining Officers of the DICs to effect recovery from BKOs immediately.

Royalty amounting to Rs 3.58 crore not recovered from BKOs

In respect of nine[23] General Managers/Mining Officers, royalty amounting to Rs 3.58 crore pertaining to the period from December 1999 to March 2004

[22] Mansa: Rs 41.25 lakh, Malout: Rs 55.34 lakh, Kotkapura: Rs 21.00 lakh, Barnala: Rs 22.60 lakh, Abohar: Rs 42.00 lakh and Goindwal: Rs 40.14 lakh.

[23] (i) Bathinda (ii) Fatehgarh Sahib (iii) Jalandhar (iv) Ludhiana (v) Mohali (vi) Mansa (vii) Malerkotla (viii) Mukatsar (ix) Pathankot.

was outstanding against 1389 BKOs. No effective steps had been taken by the department to recover the amount.

3.5.18. Under Rule 53 of the Punjab Minor Mineral Concession Rules, 1964, any rent royalty for contract mining or the other sum due to the Government under these rules or under the terms and conditions of any mining lease or contract shall be recovered in same manner as an arrears of land revenue.

Mining charges of Rs 71.73 lakh not recovered

Mining Officers, Pathankot, Jalandhar and Mohali failed to recover outstanding mining charges of Rs 71.73 lakh as on March 2004. Age-wise breakup of outstanding amount was not furnished. However, the oldest amount pertained to the year 1968-69. No effective steps had been taken by the department to recover the outstanding amount.

Loss due to inordinate delay in revision of inspection fee

3.5.19. Under Indian Boilers Act, 1923 and rules/regulations framed thereunder, the Director of Boilers, Punjab, Jalandhar (DB) had been empowered to inspect and recover annually the inspection fee as prescribed by the State Government for such industrial units which have installed boilers in their units.

The Director revised (May 1993) the rates of inspection fee ranging between Rs 300 and Rs 3600 per inspection depending upon the size of boilers and economisers. Director further stipulated that the rates must be commensurate with the increase in cost of such inspections and therefore, the same should be revised every three years, preferably in the beginning of financial year. As such, the next revision was due from 1st April 1996. However, no revision was made in April 1996 on the plea that the inspection fee can not be more than the registration fee prescribed by Government of India. The Central Boiler Board, Government of India revised the registration fee on 21 July 1999. The DB sent (November 1999) a proposal to the Director to revise the rates of inspection fee of boilers/economisers. Thereafter, the matter remained under correspondence for more than four years and a draft notification was issued in December 2003. Final notification envisaging revision of fee ranging between Rs 600 and Rs 7200 per inspection was still to be issued (July 2004).

Thus, lack of co-ordination/prompt action in revising the rates of inspection fee resulted in loss of Rs 48 lakh computed on the basis of loss of Rs 12 lakh annually that had been worked out by the department.

Conclusions

3.5.20. Lack of proper monitoring and close rapport with revenue authorities led to non-recovery of IFLs. Cases of excess and inadmissible grant of Sales Tax exemptions were noticed. Recovery of royalty from Brick Kiln Owners was not effected. Lack of coordination led to non-revision of rates of inspection fee resulting in loss to Government.

3.5.21. In order to have replies from the Government to the audit observations issued in May 2004, a mechanism to hold meetings with the Administrative Secretaries was evolved. Accordingly, a meeting with the Administrative Secretaries under the Chairmanship of Chief Secretary was held on

27 August 2004 and the Secretary, Industries and Commerce was instructed to furnish replies within two weeks; no reply has been received.

Recommendations

- Strenuous efforts may be made to effect recoveries of outstanding amounts released as incentives.
- Department should exercise effective checks while allowing Sales Tax exemption.
- The matter should be vigorously pursued at appropriate levels for ensuring recovery of IFL released to closed units.
- Rates of inspection fee of boilers should be revised periodically.