

**Chapter - III**  
**Compliance Audit**



## Chapter-III

### Compliance Audit

#### CIVIL AVIATION DEPARTMENT

##### 3.1 Non-realisation of outstanding Government dues

**Allotment of land without demarcation and Hangar No. 2 without fixation of rent/lease amount and terms and conditions to a Flying Academy led to litigation for more than ten years, while lack of prompt action delayed the recovery of outstanding dues of ₹ 0.83 crore and kept the piece of land blocked without any economic return for the last fifteen years.**

Rule 4.1 of Punjab Financial Rules (PFR) Vol-I provides that it is the duty of the Revenue or the Administrative Department concerned, to see that dues of the Government are correctly and promptly assessed, collected and paid into the treasury.

The Government of Punjab, Department of Civil Aviation allotted (March 2005) land measuring 120x150 feet at Patiala Airport for construction of a hangar<sup>1</sup> on lease for 33 years to M/s Birmi Flying Academy Private Limited (Academy) for development of aviation activities with the condition that all the terms and conditions of lease agreement would be finalised by the Public Works Department (PWD). In the meantime, Hangar No. 2 (Hangar) at Patiala Aviation Complex was allotted (April 2005) to the academy for three years to start its operations till construction of its own hangar. As per the conditions of the allotment, PWD was to assess/fix the rent/lease amount on market rates and the Academy would submit a Bond on Stamp Paper for the assessed amount.

Test-check of records (November 2018) of the Director, Civil Aviation, Punjab, Chandigarh highlighted the following points/lapses in executing the proposal:

- I. Possession of Hangar No. 2 was handed over to the Academy on 08 April 2005 on rental basis, but the rent was finalised by the PWD (September 2006) with a delay of more than a year;
- II. The Academy performed aviation related activities for 18 to 24 months, but the Department neither marked any land to be handed over to the Academy for construction of a hangar nor any rent was recovered;
- III. Allotment of the piece of land and Hangar was cancelled (July 2007) by the Department on the basis of decision (June 2007) taken by the

---

<sup>1</sup> A hangar is a closed building structure to hold aircraft or spacecraft. Hangars are built of wood or concrete. These are used for protection from the weather, direct sunlight and maintenance, repair, manufacture, assembly and storage of aircraft.

Council of Ministers. The Academy filed a Civil Writ Petition (CWP<sup>2</sup>) in the Punjab and Haryana High Court against the decision and the High Court stayed (April 2008) the dispossession of the Hangar;

- IV. The matter remained sub-judice from April 2008 to October 2015, however, the High Court directed (November 2011) the Department to recover rent of the Hangar from the Academy for the period when the lease was originally proposed with a further provision for escalation<sup>3</sup> on rent amount till conclusion of the proceedings. Further, it was advised that in case of a default in payment, the State could approach the High Court. As the Academy did not make any payment of rent, the High Court authorised (October 2015) the Department to take possession of the Hangar from the Academy;
- V. The Department took possession of the Hangar on 30 January 2016 including the assets of the Academy, referred the matter to the Deputy Commissioner (Collector), Patiala to recover the outstanding rent of ₹ 81.84 lakh for the period 2005-06 (8 April 2005) to 2015-16 (till January 2016) as arrears of land revenue by disposing of the assets lying in the Hangar; and
- VI. After 2 ½ years, the Collector expressed (September 2018) inability in assessing the price of unserviceable aircrafts due to technical nature of the property and suggested the Department to auction the aircrafts on their own. But no further progress was made in this matter due to which recovery of outstanding rent of ₹ 81.84 lakh and electricity bills of ₹ 1.03 lakh paid to the Punjab State Power Corporation Limited remains pending (*Appendix 1.2*).

The Department attributed (May 2019) the non-recovery to the Collector's inability (September 2018) to recover outstanding Government dues. The reply was not acceptable as no progress was made by the Department for assessment of market value of the assets through constitution of a Technical Experts' Committee (November 2020) to dispose of the assets.

Thus, inaction on the part of the Department to mark a piece of land to be allotted to the Academy coupled with non-recovery of rent led to protracted litigation, while delay in disposal of assets kept the dues of ₹ 0.83 crore outstanding, and added to further depreciation of the assets reducing the prospects for appropriate recovery. Further, land in question was lying unutilised which could have been put to alternate economic use.

The matter was referred to the Government in June 2019; their reply was awaited (December 2020).

**Recommendation: The Government/Department may fix a time bound action plan as per financial rules to realise the Government dues.**

---

<sup>2</sup> CWP No. 10382 of 2007.

<sup>3</sup> At the rate 10 per cent per annum.

## HEALTH AND FAMILY WELFARE DEPARTMENT

### 3.2 Suspected misappropriation of user charges

**Failure of the Drawing and Disbursing Officer to adhere to codal provisions and compromise of the internal control mechanism, facilitated suspected misappropriation of user charges amounting to ₹ 1.02 lakh in Civil Hospital, Mansa.**

Rules 98 (1) of the Punjab Treasury Rules provides that the head of an office or the person so authorised, before signing the receipt and initialing the counterfoil, shall satisfy himself that the amount has been properly entered in the cash book. Rule 2.4 of the Punjab Financial Rules (PFR) stipulates that at the close of the day, while signing the cash book, the head of the office should see that the departmental receipts collected during the day are credited into the Government account on the same day or on the morning of the next day.

The Government of Punjab had allowed (February 1997) the Punjab Health Systems Corporation (PHSC) to retain user charges collected from the patients at the point of collection and use the same for meeting non-salary expenditure. The PHSC instructed (February 2013) that user charges collected by the field offices should be deposited on a daily basis in a separate savings bank account. It was further directed that no expenditure should be made out of the cash collections and the expenditure should be incurred after depositing the collections in the bank.

Mention was made in the Comptroller and Auditor General of India's Report on Social, General and Economic Sectors (Non-Public Sector Undertakings) for the year ended 31 March 2015 – Government of Punjab (Paragraph 3.8), regarding misappropriation of user charges of ₹ 19.88 lakh in Civil Hospital, Mansa. While discussing the paragraph, the Public Accounts Committee (PAC) recommended (July 2018) that a foolproof mechanism be evolved which would facilitate the Drawing and Disbursing Officers (DDO) to ensure adherence to PFRs, to prevent recurrence of such irregularities in future.

Test-check of records (June 2018) and subsequent information collected (September 2018-March 2019) from the Civil Hospital (CH), Mansa, under the jurisdiction of the PHSC, revealed that out of the user charges of ₹ 8.72 lakh collected by the Radiographer from the patients between April 2017 and January 2018, an amount of ₹ 1.02 lakh was neither accounted for in the daily collection register (DCR) and cash book nor was it deposited into the bank account being operated in the name of Senior Medical Officer (SMO), CH, Mansa (*Appendix 1.3*). The SMO, holding the charge of DDO, did not ensure that all the user charges so collected by the Radiographer had been accounted for in the DCR/cash book and remitted into the bank account.

On this being pointed out (June 2018) in audit, the PHSC stated (November 2020) that out of ₹ 1.02 lakh, the delinquent official had deposited (June 2018 - January 2019) ₹ 0.91 lakh. It was added that the Director, Health and Family Welfare had issued charge-sheet to the concerned official and enquiry in the case was under process.

Thus, failure of the DDO to adhere to codal provisions, *ibid*, and compromise of the internal control mechanism facilitated suspected misappropriation of user charges amounting to ₹ 1.02 lakh, though an amount ₹ 0.91 lakh had been recovered from the concerned official after being pointed out by Audit.

The matter was referred to Government in August 2018; their reply was awaited (December 2020).

**Recommendation: The State Government may impress upon all the concerned to ensure strict compliance to the codal provisions, *ibid*, to have a strong and reliable internal control mechanism with a view to prevent recurrence of such cases of suspected misappropriation of Government money, as also recommended by the Public Accounts Committee.**

## HOUSING AND URBAN DEVELOPMENT DEPARTMENT

### 3.3 Optimum Utilisation of Vacant Government Lands

**Sixty-one per cent residential, 73 per cent commercial and 91 per cent other properties identified under the scheme for sale during 2016-19 had remained unsold. The scheme had a deficit of ₹ 1,158.63 crore which was met with market loans by mortgaging the scheme properties. Cancellation of an auction despite getting a bid above the reserve price, deprived revenue of ₹ 335.57 crore. Offer of plots for allotment without mutation of land, blocked ₹ 25.52 crore. Urban *Haat*, Amritsar constructed at a cost of ₹ 8.40 crore had remained non-functional, depriving the handicrafts artisans/handloom weavers of direct marketing facilities round the year.**

#### 3.3.1 Introduction

With a view to optimise utilisation of vacant and under-utilised Government lands, the Government of Punjab (GoP), Department of Housing and Urban Development (DHUD) formulated a scheme 'Optimum Utilisation of Vacant Government Lands' (OUVGL) in June 1997. The Punjab Urban Development Authority (PUDA) was designated as nodal agency for overall planning, management and marketing of vacant Government lands. The complete proprietary rights were given to the PUDA to sell, lease, mortgage and otherwise dispose of the properties in whatsoever manner deemed fit as per the decision of the Empowered Committee<sup>4</sup> (EC) constituted by the Government.

With a view to assess the adequacy, efficiency and effectiveness of implementation of the scheme, an audit covering the period 2016-19 was conducted (between October 2018 and December 2019) by test checking the records of Additional Chief Administrator (Projects), PUDA, Mohali, and all the six<sup>5</sup> development authorities. The developmental works with expenditure

<sup>4</sup> Chief Secretary; Financial Commissioner, Revenue; Principal Secretary, Finance; Principal Secretary, Local Government; Principal Secretary, Housing and Urban Development; and Secretary of the department whose land is identified for disposal under the scheme.

<sup>5</sup> (i) Amritsar Development Authority (ADA); (ii) Bathinda Development Authority (BDA); (iii) Greater Mohali Area Development Authority (GMADA); (iv) Greater Ludhiana Area Development Authority (GLADA); (v) Jalandhar Development Authority (JDA); and (vi) Patiala Development Authority (PDA).

of ₹ 25 lakh and above, executed during 2016-19 were selected for test-checking during the audit.

## Audit findings

### 3.3.2 Planning

#### 3.3.2.1 *Absence of aggressive marketing techniques and proper planning for sale of properties*

The scheme guidelines provide that against the usual method of disposing the lands locally through open auctions, aggressive marketing techniques should be employed to dispose of the properties by inviting competitive bids from reputed domestic and international private developers. Further, with a view to maximise profits, the PUDA was authorised to adopt a professional approach for special planning and marketing in consultation with reputed agencies in the real estate business to get specialised services and expertise in the planning and methodology for the marketing of these properties. In view of slow disposal of properties, the Principal Secretary, Housing and Urban Development directed (June 2015) the development authorities to send the site-wise proposal of those properties which could not be sold even after repeated advertisements. The EC transferred (between 1997 and 2016) 90 sites to PUDA involving lands measuring 1,450 acres for marketing and sale.

Audit noticed that during the period covered under audit, only 39 per cent residential plots, 27 per cent commercial and nine per cent chunk sites carved out from 21 sites by the PUDA could be sold as of March 2019 (*Appendix 1.4*). Further analysis showed that following factors contributed to the poor disposal of land:

- I. Ignoring the scheme guidelines regarding adopting new marketing initiatives, the PUDA continued to adopt traditional system of sale through draw/ auctions locally; and
- II. There were deficiencies in planning such as non-providing direct approach road to the sites, demarcation disputes, deterioration of developmental works, fixation of unreasonable reserve price and launching of schemes without development, etc. (*Appendix 1.4*).

While admitting the facts, the Chief Administrator (CA) PUDA stated (July 2020) that the list (as shown in *Appendix 1.4*) prepared by audit would be used to attain greater efficiency in disposal of OUVGL sites, in future. Reply, however, did not explain non-adherence to instructions, *ibid*, of the Principal Secretary, Housing and Urban Development and other planning deficiencies.

#### 3.3.2.2 *Possession of sites not free from encumbrance/encroachment*

(i) Paragraph 6(iv) of the guidelines provides that the department whose land is identified under the scheme for development should ensure that the land is free from all encroachment, encumbrances and vacant in all respects before it was transferred to the PUDA. Paragraph 6(xv) of the guidelines provides that where lands identified for disposal were underutilised or occupied by uneconomical and old structures, such lands should be got

vacated and transferred to the PUDA only after the present incumbents were provided with suitable alternative accommodation.

Audit observed that the EC transferred (July 2001 to June 2016) 113.75 acre lands to four<sup>6</sup> authorities who spent ₹ 43.59 crore (*Appendix 1.5*) on providing alternative accommodation to the offices running from these sites and development of sites. However, the sites transferred to the PUDA could not be planned (May 2020) for sale due to non-shifting of offices by the occupants from the old buildings to the newly constructed accommodation. Neither the Department nor did the EC/PUDA ensure encumbrance/encroachment free lands before its transfer to the PUDA. This resulted into blockade of ₹ 43.59 crore spent by the development authorities on construction or development of alternate accommodation to the user offices.

The Chief Administrator, PUDA stated (July 2020) that the primary responsibility of providing encumbrance free and encroachment free land to the PUDA was of the concerned department. The fact remains that the land could not be commercially exploited even after lapse of more than four to 19 years from the date of transfer, despite ₹ 43.59 crore having been spent on construction of alternative accommodation.

*(ii) Allotment of plots without having mutation of land*

Paragraph 3 of the guidelines (March 1997) provides that only those vacant lands which were free from all encroachments/encumbrances would be taken up for commercial exploitation.

Audit observed that the EC transferred (November 2012) 140.60 acre land of closed Sugar Mill, Faridkot to PUDA for a consideration of ₹ 30.02 crore paid to the Sugar Federation. The Additional Chief Administrator (Projects), PUDA launched (June 2013) a scheme for allotment of 428 plots of different sizes. The draw was held in August 2013 against which 377 applications were received, out of which 21 were withdrawn before the draw. The letters of intent were issued (December 2013 and January 2014) to all the successful applicants. However, sale/purchase of the land was stayed by the Court (2014) due to non-payment of dues to the farmers by the Sugar Mill and filing of court case by Sugar Mill employees in the Punjab and Haryana High Court. As a result, the land could not be mutated in the name of the PUDA. Later on, out of 140.60 acre, 71.3 acre was mutated (October 2018) in the name of the PUDA. Meanwhile, most of the allottees, either surrendered their plots or did not deposit 15 per cent amount required as per terms and conditions of the scheme and approached the District Consumer Disputes Redressal Forum, Faridkot for refund of their money. In 15 cases, the Court allowed refund of ₹ 0.38 crore including interest, litigation expenses and compensation. As of March 2019, net receipts of ₹ 4.50 crore only were realised from the sale of plots against the payment of ₹ 30.02 crore made to the Sugar Federation for land.

While admitting the facts, the CA, PUDA stated (July 2020) that land would be sold as soon as it is handed over to the PUDA and ₹ 30.02 crore would be

---

<sup>6</sup> (i) BDA; (ii) GLADA; (iii) JDA; and (iv) PDA.

recouped. Moreover, the assets had been created against the payment made to the Sugar Federation. The reply was not acceptable because purpose of the scheme was to develop the land for commercial exploitation and not to create the assets.

Thus, ₹ 25.52 crore<sup>7</sup> paid for the land out of scheme funds remained blocked due to non-mutation of the land in the name of the PUDA, besides inflicting avoidable burden of ₹ 0.38 crore.

### 3.3.2.3 Construction of booths without assessment of demand

(i) Audit observed that the EC transferred (February 1998) an area of 4.44 acre of *Chaura Bazaar*, Ludhiana. Audit observed that Greater Ludhiana Area Development Authority (GLADA), without assessing the demand constructed (2013) 94 double storey booths (47 each on ground and first floor) at a cost of ₹ 3.50 crore. Of these, 45 booths were allotted to the *khokha* owners (who were running their shops at this site) at concessional price of ₹ two lakh (approximately) per booth. Of the remaining 49 booths, only three could be sold (May 2019) in spite of repeated auctions<sup>8</sup> indicating low demand for the booths. Thus, due to construction of the double storey booths without conducting any demand survey, the expenditure of ₹ 1.71 crore incurred on 46 booths could not be recouped.

Besides construction of booths, GLADA also planned 21 Shop cum Offices (SCO) and earmarked 250 square yards for restaurant at this site but the plan could not be executed (July 2020) due to land dispute.

The CA, PUDA admitted the audit observation and stated (July 2020) that the remaining 46 booths would be auctioned in future.

(ii) The Patiala Development Authority (PDA) constructed (2006) 254 booths in front of Mini Secretariat, Patiala for Deed Writers, Stamp Vendors, etc. Out of these, 235 booths were allotted to Stamp Vendors/Deed Writers, 17 were sold out at double the reserve price in the auctions held during September 2013 and two remained unsold (increased to four as of March 2019). Keeping in view sale of 17 booths at a price higher than the reserve price, the PUDA constructed (September 2016) additional 254 booths on first floor at an expenditure of ₹ 3.74 crore.

The Deputy Commissioner (DC) Patiala asked PDA (December 2017) to allot these booths to *Swa-Rojgar Welfare Society, Jan Sahayata Kendra, Patiala* (Centre) on priority basis as per demand of the latter. In response, PDA demanded (February 2018) from the DC office, a copy of the request of the Centre and applications for reference. However, this information was not furnished (May 2019) to PDA. Meanwhile, PDA held (January and March 2018) auctions for sale of the booths but no response was received and the booths were still (May 2020) lying unsold. This indicates that there was no further demand for booths at the site.

<sup>7</sup> Total payments: ₹ 30.02 crore minus net receipts: ₹ 4.50 crore.

<sup>8</sup> Auctions were held in 3/2015, 6/2016, 10/2016 and 01/2017.

Thus, expenditure of ₹ 3.74 crore incurred on construction of additional booths at first floor without assessing demand could not be recouped.

The CA, PUDA stated (July 2020) that Deputy Commissioner office periodically issues new licenses to Stamp Vendors, Vasika Navis, Photostat machine operators and Advocates. Keeping in view the demand of booths, it was decided to construct 254 booths on the first floor and auctions were held 2-3 times but no booth was sold. However, owners of booths at ground floor were ready to purchase the booths on the first floor. Efforts would be made to sell the booths after holding meeting with booth owners. The reply was not acceptable because the booths were constructed without clear demand due to which the booths remained unsold for the last four years.

**Recommendation: Proper demand assessment should be made before taking up projects involving development of properties.**

#### ***3.3.2.4 Un-utilised site due to indecision on its development***

The EC transferred (November 2012) 1.40 acre land of Government Primary School, Mall Road, Bathinda to the PUDA. In lieu of this land, Bathinda Development Authority (BDA) constructed building of Government Primary School in the premises of the adjacent Government Senior Secondary School, Bathinda at an expenditure of ₹ 1.33 crore.

Audit observed that BDA could not utilise the site measuring 1.40 acre transferred to it due to indecision regarding either to develop the site as multi-storey commercial site or multi-level car parking, etc. Despite lapse of more than seven years from the approval, recoupment of ₹ 1.33 crore is still awaited. Presently, the site is rented out for car parking and a meager sum of ₹ 2.52 lakh<sup>9</sup> only was collected (January 2020) as rent.

The CA, PUDA stated (July 2020) that the site was not viable for multilevel parking and commercial exploitation, as of now. The reply was not acceptable because decision of the department to invest in a land which was not viable for commercial exploitation had blocked ₹ 1.33 crore.

#### ***3.3.2.5 Poor planning in development of sites***

The EC transferred (September 2011 and June 2013) 217.01 acre land of two<sup>10</sup> sites at Bathinda and Amritsar respectively to the PUDA for setting up of residential colonies/commercial exploitation. The Bathinda Development Authority (BDA) and the Amritsar Development Authority (ADA) were to dispose of the properties and it was anticipated that the PUDA would earn ₹ 446.70 crore from the sale proceeds of these properties.

Audit observed that development authorities planned only for development of residential plots and carved out 1651 (1075 at Bathinda site and 576 at Amritsar site) plots. The draws of plots were held in March/September 2016

---

<sup>9</sup> Rent at the rate of ₹ 1.70 lakh per annum for the period from 01.07.2017 to 30.09.2017 and at the rate of ₹ 34,850 per month for the period from 01.04.2018 to 30.09.2018.

<sup>10</sup> 93 acre land of old Jail site at Amritsar and 124.01 acre land of old Sugar Mill, Budhlada (Bathinda).

and June 2016 and allotment letters were issued to 1344 (976 in Bathinda and 368 in Amritsar) applicants, respectively. But the development authorities failed to give possession of the plots due to delay in development of the sites and re-planning/re-numbering of the plots. Aggrieved by the delay/non-development of sites, many allottees approached different Courts, seeking compensation. The Punjab and Haryana High Court directed (September 2018) the PUDA to pay interest of ₹ 5.51 crore in case of Amritsar site. Whereas, in view of decision of Consumer Court, an amount of ₹ 2.05 crore<sup>11</sup> was deposited (June 2019) in the Court in respect of 13 execution cases filed by the allottees in case of Bathinda site. Therefore, against the expected sale proceeds of ₹ 446.70 crore, only ₹ 32.44 crore (₹ 29.23 crore from Bathinda site and ₹ 3.21 crore from Amritsar site) could be collected.

Thus, due to failure on the part of the development authorities to plan the development activities efficiently, possession of only 36 *per cent* plots (planned 1651 and possession given 596) could be given besides, no planning was made to develop the commercial sites.

The CA, PUDA stated (July 2020) that the launch of scheme at Amritsar prior to the development of site and payment of interest was not a totally loss making proposition because the money lying with the PUDA was earning interest in the banks. The reply was not acceptable as it did not address the issue of delay in development of site due to which possession could not be given to the allottees. Whereas, in case of site at Bathinda, the CA, PUDA admitted (July 2020) that many allottees had claimed refund.

### 3.3.3 Financial management

The main sources of income of OUVGL scheme is sale/auction of residential and commercial properties, forfeiture of deposits, fees, non-construction fees, interest and penal interest, etc. The PUDA was booking all the receipts and expenditure of the scheme under a separate head of account and maintaining separate books of accounts for the scheme and a separate bank account.

#### 3.3.3.1 Financial status of the scheme

(i) As per the guidelines of the scheme, after the accounts of the scheme are squared up, net sale proceeds of the Government land/properties would be remitted into the Consolidated Fund of the State after deducting all expenses made or liable to be made, including a half *per cent* commission of the PUDA.

Analysis of Income and Expenditure Account of the scheme revealed that an expenditure of ₹ 4,239.86 crore had been incurred against the total receipt of ₹ 3,081.23 crore, as of March 2019 leaving a debit balance of ₹ 1,158.63 crore which was met by raising market loans against mortgage of OUVGL properties. Thus, even after 23 years of start of the scheme, no sale proceeds were deposited into the Consolidated Fund of the State as the scheme was running in loss.

<sup>11</sup> ₹ 1.30 crore - deposited by allottees; ₹ 0.74 crore – interest; and ₹ 0.01 crore - legal cost and compensation.

The CA, PUDA stated (July 2020) that surplus sale proceeds of OUVGL would be deposited in the Consolidated Fund of the State as and when the deficit is squared up. The reply was not acceptable because due to financial mismanagement and blockade/irregular spending of scheme funds (as discussed in succeeding paragraphs), the PUDA could not square up the deficit.

(ii) The year-wise details of income and expenditure of OUVGL scheme during 2016-19 is given in **Table 3.1**.

**Table 3.1: Income and expenditure of OUVGL scheme during 2016-17 to 2018-19**

(₹ in crore)			
Year	Income	Expenditure	Surplus(+) / Deficit(-)
2016-17	296.56	698.81	(-) 402.25
2017-18	249.33	197.88	(+) 51.45
2018-19	247.03	107.64	(+) 139.39
<b>Total</b>	<b>792.92</b>	<b>1,004.33</b>	<b>(-) 211.41</b>

Source: Income and expenditure accounts of PUDA for the years 2016-17 to 2018-19

- Against the income of ₹ 792.92 crore, an expenditure of ₹ 1,004.33 crore was incurred during 2016-19.
- Receipts decreased from ₹ 296.56 crore in 2016-17 to ₹ 247.03 crore in 2018-19 mainly due to decline in sale proceeds of the residential/commercial properties, delay in recovery of arrears from the defaulters, etc. as discussed in the succeeding paragraphs.

### 3.3.3.2 Irregular financing of non-self sustaining projects

Paragraph 6(xi) of the guidelines of the scheme provides that the sale proceeds realised from the disposal of lands would exclusively be utilised to finance self sustaining and self financing State level infrastructure projects<sup>12</sup>. Paragraph 6(xii) of the guidelines provides that scheme funds should be utilised to meet the capital cost of the project only.

Audit observed that the Executive Committee accorded (between 2015 and 2016) *ex-post facto* sanctions of ₹ 670.96 crore for construction of cement concrete streets, flooring, interlocking tiles and drains in 413 village/*dhanies*<sup>13</sup>, etc. of two Vidhan Sabha constituencies of *Lambi* and *Jalalabad*. Accordingly, the PUDA released ₹ 520.11 crore to the Deputy Commissioners (DC) concerned by raising loan from banks against mortgage of OUVGL properties. The concerned DCs furnished utilisation certificates for ₹ 520.11 crore.

The CA, PUDA stated (July 2020) that construction of roads make a crucial contribution to economic development and growth and bring more important social infrastructure. The reply is not acceptable as the expenditure was

<sup>12</sup> Such as District Administrative Complex, Tehsil Complex, Sudhar Ghar (Jails), Hospitals, Schools, etc.

<sup>13</sup> A small group of houses made in the fields.

incurred on works not falling in the category of self sustaining and self financing State level infrastructures/projects specified in the scheme which was irregular diversion of funds.

Thus, raising loans against mortgage of OUVGL properties was in contravention of the guidelines of the scheme and blocked the chances of commercial exploitation of the mortgaged properties of the scheme already running in deficit.

### **3.3.3.3 Grant of loan from scheme at rates lower than the borrowing rates**

Audit observed that though the scheme was running in deficit and the PUDA had to resort to borrowing from the banks at the rate of nine to ten *per cent* by mortgaging properties of the scheme, it lent (September 2011-December 2016) ₹ 96.03 crore from the scheme funds to three<sup>14</sup> Government bodies at interest rate of six *per cent*. No recovery had been affected from these institutions even after lapse of period ranging between three and nine years.

The Senior Accounts Officer (Payments) PUDA stated (September 2019) that the funds were lent as per the Government instructions. No reply regarding non-recovery of the borrowed amount and interest was furnished (November 2020). Reply is not acceptable as no written instructions of the Government was furnished to audit in support of the contention made.

### **3.3.3.4 Accumulation of arrears against the allottees**

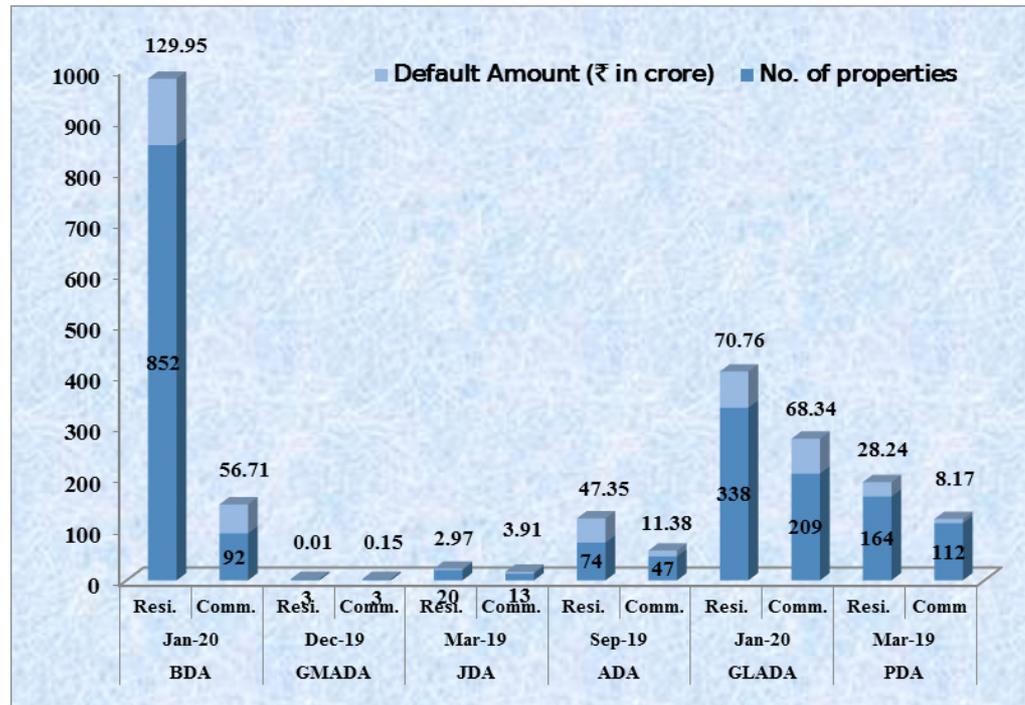
As per the allotment policy of the PUDA, an applicant is required to deposit 10 *per cent* of the total reserve price as earnest money (refundable/adjustable), 15 *per cent* within 60/90 days from the date of issue of letter of intent and the remaining 75 *per cent* in four equal yearly installments with interest at the rate of 12 *per cent per annum* or as determined by the authority. Further, Section 45, sub section (4) of the Punjab Regional and Town Planning and Development Act, 1995 (Act) provides that in case of continuation of default in payments by the allottees, the Estate Officer may, resume the land or building or both, as the case may be.

Audit observed that an amount of ₹ 427.94 crore was outstanding (March 2019 - January 2020) against the allottees of 1,927 properties as given in **Chart 3.1**.

---

<sup>14</sup> To Punjab Municipal Infrastructure Development Company in September 2011: ₹ 79.39 crore; to Sugarfed in April 2012: ₹ 16.14 crore; and to Urban *Haat* Society, Amritsar in December 2016: ₹ 0.50 crore.

Chart 3.1: Details showing outstanding amount against the allottees



Source: Compiled from the manual data supplied by the six development authorities

Non-recovery of dues had adversely affected revenue generation under the scheme. It was further observed that information of outstanding dues was not available on the management information system. Further, action taken to resume the plots/sites by the development authorities concerned as envisaged in the Act, *ibid*, was not intimated to audit.

The CA, PUDA stated (July 2020) that notices under the Punjab Regional and Town Planning and Development Act, 1995 were issued from time to time to the defaulters, and resumption of the site was done accordingly in case of failure to respond to the notice. The reply was, however, not substantiated in test check of files of defaulters, as it was noticed that no procedure for resumption of plots was initiated by the department. Consequently, ₹ 427.94 crore of the scheme remained blocked and scheme continued to run in deficit.

**Recommendation: Financial discipline as per the scheme guidelines with an effective management information system be ensured to realise outstanding dues.**

### 3.3.4 Implementation of the scheme

#### 3.3.4.1 Cancellation of an auction despite getting bid above the reserve price

The District Price Fixation Committee (DPFC) under the Chairmanship of the Deputy Commissioner, Ludhiana fixed (December 2010) reserve price of ₹ 1.05 lakh per square yard of 8.21 acre land of irrigation complex at Ludhiana.

Audit noticed that GLADA auctioned the site twice in February 2014 and June 2014 at the rates fixed by the DPFC but did not receive any bid/response. As per provisions of the auction policy, if a site is not sold in two consecutive auctions, the Chief Administrator, PUDA was competent to reduce the reserve price by 20 per cent. Accordingly, the rate of the site was reduced (September 2015) from ₹ 1.05 lakh to ₹ 0.84 lakh per sq. yard and it was again put to auction (November 2015) at a total reserve price of ₹ 333.79 crore. In the auction, a bidder quoted bid of ₹ 335.57 crore i.e. higher than the reserve price by ₹ 1.78 crore, but GLADA rejected it on the basis of Central Vigilance Commission (CVC) guidelines, being a single bid. The site was again put to auction in December 2015 but no response was received. The site was lying unsold as of November 2020.

The CA, PUDA quoted (July 2020) the CVC guidelines and terms and conditions of auction for rejection of bid at the level of the State Government. The reply was not acceptable because on the one side, the PUDA was not able to dispose of various sites despite repeated auctions as pointed out in paragraph 3.3.2.1 and on the other hand, a bid was rejected seeking the terms and conditions of auction policy as it was above the reserve price. Therefore, insertion of such terms and conditions was against the spirit of OUVGL scheme. Further, the CVC guidelines contain provision for allotment in case where auction held on repeated occasions remained inconclusive.

Thus, rejection of the bid in November 2015 which was ₹ 1.78 crore over and above the reserve price, deprived the scheme of realisation of ₹ 335.57 crore and site remained unsold (November 2020).

### 3.3.4.2 *Urban Haat, Amritsar*

#### (a) *Failure to make Urban Haat programme functional*

A decision to set up an Urban *Haat* at the old building of Guru Teg Bahadur Hospital site<sup>15</sup> at Amritsar was taken in a meeting held (July 2012) under the Chairmanship of the Chief Minister, Punjab. Urban *Haat* aims to set up a permanent marketing infrastructure in big towns/cities to provide direct marketing facilities round the year to the handicrafts artisans/handloom weavers. A Memorandum of Understanding (MOU) was signed (December 2012) between the PUDA and the Indian National Trust for Art and Cultural Heritage (INTACH), New Delhi. The INTACH was to prepare Detailed Project Report and assist the PUDA in getting matching financial grants/assistance<sup>16</sup> from the GoI under Urban *Haat* scheme.

Audit observed that the Chief Administrator, PUDA accorded (May 2013) administrative approval of ₹ 7.63 crore which was revised (July 2013) to ₹ 9.07 crore. The project scheduled to be completed upto September 2014 was actually completed at a cost of ₹ 7.62 crore in November 2016. The project was delayed due to non-supply of drawings, Detailed Notice Inviting

<sup>15</sup> An archaeological structure.

<sup>16</sup> Financial ceiling for Urban *Haat* is ₹ 3 crore for each unit. 80 per cent of the admissible amount would be borne by the office of the Development Commissioner Handicrafts, Government of India, Ministry of Textiles and 20 per cent would be contributed by the implementing agency.

Tender and detailed estimate of the works in time and consequently central assistance could not be received from the GoI, Ministry of Textiles.

To make the Urban *Haat* functional, Urban *Haat* Management Society (Society) was registered (April 2016) for promotion of Urban *Haat*. An expenditure of ₹ 0.78 crore was incurred on a heritage mela for making arrangements for artisans from all states of India, food stalls from different States of India and from overseas, etc. The Society after inviting bids allotted live kitchens to 10 vendors. Of these, only three vendors started (December 2016) functioning who were also compelled to close their business due to lack of footfall, which in turn was due to absence of a craft bazaar. Thereafter, the Society decided (May 2018) to allot the Urban *Haat* on Public Private Partnership (PPP) mode. Thus, the Urban *Haat* could not be made functional despite spending ₹ 8.40 crore on the project due to which the objective of the scheme to provide direct marketing facilities (such as craft bazaar with kitchen) to handicrafts artisans/handloom weavers was defeated.

The CA, PUDA stated (July 2020) that the decisions regarding change in the planning of site was taken by the committee<sup>17</sup> constituted for this project to make the effective use of the site. The committee after proper deliberations had put the building to an effective use by going for PPP mode in November 2018. The matter of Central Assistance would be taken up with the Central Government. However, the fact remains that the project is yet to be made functional despite lapse of more than seven years from its approval.

**(b) Non-levy of damage charges**

After the failure of live kitchen, the Society entered (November 2018) into a concession agreement for a concession period of 30 years for refurbishment, operation and maintenance of the Urban *Haat* on a PPP mode at an annual concession fee of ₹ 0.81 crore, to be increased by five *per cent* every year. The concessionaire was to achieve financial closure within 150 days from the date of agreement. In the event of default, the concessionaire was entitled to a further period not exceeding 30 days, subject to payment of damages to the authority for a sum calculated at the rate of 0.05 *per cent* on the performance security of ₹ one crore for each day of delay.

Audit observed that as the concessionaire failed to achieve financial closure by the stipulated date (10 April 2019), the Chief Administrator, ADA granted (July 2019) extension up to 31 October 2019 (i.e. 204 days) against the maximum permissible extension of 30 days and that too without levying due damage charges of ₹ 10.20 lakh<sup>18</sup>, in violation of the provisions of the concession agreement. Further, the project also remained non-functional (October 2019).

---

<sup>17</sup> (i) Chief Secretary, Department of Cultural Affairs; (ii) Chief Secretary, Department of Tourism; (iii) Secretary, Department of Housing and Urban Planning; (iv) Managing Director, PIDB; (v) Deputy Commissioner, Amritsar; (vi) Commissioner, Municipal Corporation, Amritsar; and (vii) Chief Administrator, PUDA.

<sup>18</sup> Calculated at the rate of 0.05 *per cent* on the performance security of ₹ one crore for each day of delay for 204 days.

The CA, PUDA stated (July 2020) that the time extension for the refurbishment period had been granted in accordance with the provisions made under clause 11.2 of the agreement by keeping in view the circumstances of site and problems mentioned by the concessionaire. The reply of the CA was not acceptable as it did not explain non-levy of damage charges as per Article 17.1 of the agreement.

**(c) Non-levy of stamp duty and registration fee on concession agreement**

Section 17(1)(d) of the Registration Act, 1908 provides that leases of immovable property from year to year, or for any term exceeding one year, or reserving yearly rent are to be registered with the registering authority. Schedule 1A of the Indian Stamp Act, 1899 stipulates that stamp duty at the rate of three *per cent* is to be levied on lease deed on the value determined after considering thrice of average annual rent reserved.

Audit observed that the concession agreement executed with the concessionaire was not registered with the concerned registration authority resulting in loss amounting to ₹ 21.53 lakh to the State exchequer on account of non-levy of stamp duty and registration fees.

While admitting the facts, CA, PUDA stated (July 2020) that the agreements would be got registered in future.

**3.3.4.3 Avoidable payment**

Audit noticed the following instance of avoidable payment due to delay in completion of works:

The Chief Administrator, PUDA accorded (May 2016) administrative approval of ₹ 7.07 crore to the development of old jail site, Jalandhar including cost of ₹ 1.57 crore payable to the Municipal Corporation, for sewerage connection. The sewerage connection cost was to be increased by 10 *per cent*, if not paid during 2016-17.

The Divisional Engineer (Civil), JDA (DE) allotted (August 2016) development works at the site to a contractor at a cost of ₹ 3.91 crore for completion within six months i.e. up to February 2017. But the work was completed in March 2018 due to non-providing of clear site by JDA. As a result of delay, JDA had to pay ₹ 1.73 crore to the Municipal Corporation, Jalandhar on account of sewerage connection cost, instead of ₹ 1.57 crore which led to avoidable payment of ₹ 0.16 crore.

The CA, PUDA admitted (July 2020) the facts.

**3.3.4.4 Non execution of conveyance deed**

As per condition 5(iii) of the allotment letter for allotment of residential/commercial sites, the allottee would execute a conveyance deed within 90 days of payment of the entire consideration amount. The expenses for registration and conveyance deed were to be borne by the allottee.

Audit observed (May 2019) that 26 allottees (*Appendix 1.6*) deposited (between May 2013 and July 2019) full and final payment of the entire consideration for the sites allotted to them by all the six development authorities but did not execute the conveyance deeds as of December 2019. As a result, Government revenue of ₹ 1.11 crore<sup>19</sup> could not be realised.

The CA, PUDA stated (July 2020) that the responsibility for the conduct of conveyance deed was that of the allottee. In order to safeguard the interest of the Government, the authorities didn't allow the transfer of allotment letter after 90 days from the final payment or the schedule of final payment whichever was earlier. The reply was not acceptable as audit had pointed out the cases where final payments were made between May 2013 and July 2019 by the allottees but the Department had already issued No Due Certificate (NDC) without ensuring the execution of conveyance deeds.

#### **3.3.4.5 Non-deposit of Change of Land Use charges and licence fee**

Department of Housing and Urban Development, Government of Punjab decided (October 2012) that all the development authorities working under the Department would deposit 'Change of Land Use' (CLU) charges in treasury at par with the private promoters/colonisers for development of projects/colonies.

Audit observed (May 2019) that the EC approved (June 2013) exchange of land measuring 21.99 acre between University Seed Farm<sup>20</sup>, Nabha and Open Jail, Nabha. Since the land transferred to Jails Department from Seed Farm was to be developed as housing estate by the PUDA under OUVGL scheme, CLU charges of ₹ 16.93 lakh<sup>21</sup> and licence fee of ₹ 9.90 lakh<sup>22</sup> were payable. However, the same had not been deposited in treasury.

The CA, PUDA stated (July 2020) that the receipts and expenditure from the properties held by the PUDA under the scheme were made on behalf of the Government. The reply was not acceptable as the charges payable to the Government on account of CLU of this site was not accounted for in the accounts books of the scheme. Moreover, being revenue of the State, it was required to be deposited into Government account immediately.

### **3.3.5 Internal audit and monitoring**

#### **(i) Internal audit of the scheme**

The Punjab Urban Development Authority did not have a system of conducting internal audit of the scheme. However, the Chief Administrator, PUDA entered (September 2016) into an agreement with M/s WAPCOS Limited<sup>23</sup> to conduct third party Techno-Financial audit of the projects

<sup>19</sup> Stamp duty (@ six per cent)- ₹ 0.83 crore; registration fees (@ two per cent)- ₹ 0.28 crore.

<sup>20</sup> Under jurisdiction of Punjab Agricultural University, Ludhiana.

<sup>21</sup> At the rate of ₹ 0.77 lakh per acre as per notification dated September 2007.

<sup>22</sup> At the rate of ₹ 0.45 lakh per acre as per notification dated September 2007.

<sup>23</sup> A Public Sector Enterprise under the aegis of Union Ministry of Water Resources, River Development and Ganga Rejuvenation having the requisite experience and expertise to undertake Consultancy, and Engineering, Procurement and Construction projects.

completed during 2012-2016 and ongoing/future projects under OUVGL scheme at the approved rate of 0.40 *per cent* of the cost of completed projects and 0.80 *per cent* of ongoing and future projects. The agreement was initially valid for a period of three years which could be revised for a further period of two years with the mutual consent of both the parties.

Test-check of records of the Divisional Engineer (Headquarter), PUDA revealed that a payment of ₹ 6.93 crore was made (March 2019) to the company on the basis of the report submitted by it after conducting techno-financial audit of developmental works executed by Public Works Department (Buildings and Roads Branch), Punjab Mandi Board, Panchayati Raj and Water Supply and Sanitation Department and the PUDA. Analysis of the final report submitted by the agency revealed that it had pointed out a recovery of ₹ 24.31 crore<sup>24</sup> during 2016-18 in respect of 24 completed and five ongoing works valuing ₹ 1,247.94 crore on account of poor workmanship, defective work, non-compliance of agreement clause, undue benefit to contractors, recovery of inadequate insurance cover, non-achievement of progress, continuous delay in submission of performance bank guarantee, etc. The recovery pointed out by WAPCOS was effected from the contractual agencies. Therefore, the techno-financial audit would not only provide help in improvement of the quality of works and adherence of agreement conditions but also reduce the possibility of delay in completion of works in future.

**(ii) Empowered Committee not functioning as mandated**

As per guidelines of the scheme, the Empowered Committee (EC) was, *inter alia*, mandated to identify/approve the government lands to be taken up for commercial exploitation and approve conceptual and land use plan; to review and monitor the scheme and cash flow from sale of lands. The EC was to meet once in two months for this purpose. It was, however noticed that:

**(a)** The EC though accepted the proposals of the different departments to transfer the lands for commercial exploitation but did not ensure that the sites were free from all encumbrances. This not only led to delay in sale/disposal of lands by the PUDA but also contributed to deficit of the scheme due to expenditure on providing alternative accommodation to occupants of the site.

**(b)** While sanctioning the expenditure, the EC did not ensure availability of funds, as the issue of deficit in the scheme accounts was discussed only in July 2017 (47<sup>th</sup> meeting of the EC).

The CA, PUDA stated (November 2020) that the meetings of the EC were held as and when proposal was received from any department. The reply was not acceptable because the EC should ensure meetings at regular intervals to discuss the early disposal of unsold properties.

**(c)** Shortfall in meetings of the EC was also noticed as only 48 meetings against the required 132 number of meetings were held up to March 2019.

---

<sup>24</sup> Recovery of ₹ 11.01 crore in respect of completed works; and ₹ 13.30 crore in respect of ongoing works.

**(iii) Non-updation of Plot Property Management data**

Audit noticed that the Plot Property Management (PPM) data was not updated to have a complete view of the amounts due from the allottees so that timely action as per the rules could be taken against the defaulters either by the PUDA head office or by the authorities.

**3.3.6 Conclusions**

The PUDA did not adopt modern marketing techniques to sell the properties which led to very slow rate of disposal under the scheme. The PUDA floated the schemes without conducting demand survey leading to stagnation in disposal of properties. Timely efforts were not made to address planning issues to expedite the sale of unsold sites. Launching of the schemes for allotment of the residential and commercial properties to the general public without development of sites, had not only led to avoidable payments of interest but also discouraged customers. Due to imprudent management of financial resources, the scheme was running into deficit and the deficit was met with market loans raised against mortgage of scheme properties. The absence of any timeline for the disposal of the properties in the guidelines was also a contributory factor in non/delayed disposal of properties.

**3.3.7 Recommendations**

The Department/Empowered Committee may ensure that:

- Marketing of the properties is based on inputs from reputed agencies in real estate business for fixation of rates to attract buyers;
- Sites are encumbrance and litigation free before transfer to the PUDA for their effective development and disposal;
- Finances are managed with prudence in application of resources and promptness in realisation of outstanding dues based on a real time property management information system; and
- Scheme guidelines are reviewed in line with the prevailing real estate scenario and timelines are framed accordingly for early disposal of properties.

The matter was referred to the Government in April 2020; their reply was awaited (December 2020).

**PERSONNEL, AND HOME AFFAIRS AND JUSTICE DEPARTMENTS****3.4 Irregular operation of posts under Apex Scale and Higher Administrative Grade**

**Operation of 1-9 ex-cadre posts of Chief Secretary Grade in Level 17 (Apex Scale) and 1-7 ex-cadre/deputation posts of Director General of Police in Level-16 (Higher Administrative Grade) under State Deputation Reserve in excess of prescribed limit, without prior approval of the Central Government, involving an amount of ₹ 10.31 crore on account of pay drawn during the period from January 2016 to June 2020, was irregular.**

Rule 3(2)(ii) of the Indian Administrative Service (IAS) (Pay) Rules, 2016 and Indian Police Service (IPS) (Pay) Rules, 2016 provides that appointment of a member of the Service in the level of selection grade and above shall be subject to availability of vacancies in these grades and for this purpose, it shall be mandatory upon the State cadre authorities to seek prior concurrence of the Central Government on the number of available vacancies in each grade and any appointments made without obtaining the prior concurrence of the Government of India (GoI) shall be liable for cancellation. Further, Rule 12(7) of the respective Rules provides that at no time the number of members of the Service appointed to hold posts, which carry the pay of ₹ 2,25,000 per month (in respect of IAS at Apex Scale) and pay at Level-16 (in respect of IPS under Higher Administrative Grade) which are reckoned against the State Deputation Reserve (SDR), shall except with the prior approval of the Central Government, exceed the number of cadre posts at that level of pay in a State cadre or, as the case may be, in a Joint cadre.

(i) Test-check of records (July 2018) and subsequent information obtained (up to June 2020) from office of the Chief Secretary to the Government of Punjab, Department of Personnel revealed that 3-4<sup>25</sup> cadre posts of Chief Secretary Grade in Level 17 (Apex Scale) had been sanctioned by the Central Government. Accordingly, as per the provisions under Rule 12(7), *ibid*, the State Government could operate 3-4 additional posts (ex-cadre) in Chief Secretary Grade (Level 17) under SDR. Audit, however, observed that during the period from January 2016 to June 2020, the State Government operated 1-9 ex-cadre posts of Chief Secretary Grade (Level 17) in excess of permissible limit of 6-8 posts (3-4 cadre and 3-4 ex-cadre posts under SDR), as detailed in **Appendix 1.7**, without the approval of the Central Government in contravention of the rules, *ibid*. The GoI also did not accede to (October 2018) the request of the State Government for continuation of temporary posts (ex-cadre) and directed to bring the ex-cadre posts within the permissible limit and maintain 1:1 parity at the Apex Scale (Level 17).

The State Government stated (September 2020) that at the time of creation of ex-cadre (temporary) post at the Apex Scale, a copy of the order was being sent to the GoI for their concurrence. The reply was not in line with the

<sup>25</sup> Four cadre posts w.e.f. 13 March 2019.

provisions under Rule 3(2)(ii) of IAS (Pay) Rules, 2016, *ibid*. The GoI reiterated (March 2020) that before creating posts at Apex Scale, prior approval of the Central Government was required. Hence, the States were required to forward proposals for concurrence of the Central Government for availability of vacancies at least three months before the promotions were proposed. However, despite repeated instructions of the GoI, the State Government continued to operate the excess ex-cadre posts of Chief Secretary Grade (Level 17) as on 23 June 2020.

Thus, operation of 1-9 ex-cadre posts of Chief Secretary Grade in Level 17 (Apex Scale) under SDR in excess of prescribed limit without prior approval of the Central Government, involving an amount of ₹ 6.24 crore on account of pay drawn during the period from January 2016 to June 2020, was irregular.

(ii) Test-check of records (June 2018) and subsequent information (up to July 2019) obtained from the office of the Principal Secretary to Government of Punjab, Department of Home Affairs and Justice, revealed that one cadre post of Director General of Police (DGP) in Level-16 under Higher Administrative Grade (HAG+) had been sanctioned by the Central Government. Accordingly, as per the provisions under Rule 12(7), *ibid*, the State Government could operate one additional post of DGP in Level-16 under SDR. Audit, however, observed that during the period from January 2016 to July 2019, the State Government operated 1-7 ex-cadre/deputation posts of DGP in Level-16 in excess of permissible limit of two posts (one cadre and one ex-cadre/deputation post under SDR), as detailed in **Appendix 1.8**, without the approval of the Central Government in contravention of the rules, *ibid*.

The Secretary (Home) stated (August 2019) that due to lack of vacancies in the rank of DGP, the IPS Officers were feeling demoralised owing to non-availability of promotional avenues, therefore, they were promoted in the rank of DGP by the State Government beyond the prescribed statutory limit. The reply was not in line with the provisions under Rule 12(7), *ibid*.

Thus, operation of 1-7 ex-cadre/deputation posts of DGP in Level-16 (Higher Administrative Grade) under SDR in excess of prescribed limit without prior approval of the Central Government, involving an amount of ₹ 4.07 crore on account of minimum pay for the period from January 2016 to July 2019, was irregular.

**Recommendation: The State Government may ensure prior approval of the Central Government for operating posts at Level 17 in Chief Secretary Grade and Level 16 in Higher Administrative Grade, reckoned against the State Deputation Reserve, if it exceeds the number of cadre posts at that level.**

## PUBLIC WORKS DEPARTMENT

### 3.5 Incomplete work due to non-providing of encumbrance free site

**Failure of the Department to ensure encumbrance free site prior to award of work, had resulted in non-completion of work despite spending ₹ 3.61 crore, besides denial of short route to the public of Jarag-Khanna area.**

Paragraph 2.92 of the Punjab Public Works Department Code (Code) provides that no work should be commenced on land which has not been duly made over by the competent authority. Rule 2.67 read with Rule 2.89 of the Code provides that tenders should be invited after technical sanction of the work. The work shall be commenced after allotment of funds and orders for its commencement having been issued by the competent authority. Further, Forest (Conservation) Act, 1980 (Act) provides that any forest land or any portion thereof may not be used for any non-forest purpose except with the prior approval of the Central Government.

The Government of Punjab (GoP), Department of Public Works (PWD) administratively approved (October 2015) periodical repairs of the road “Babanpur Bridge to Jourepul, Major District Road (MDR-78)” for ₹ 11.62 crore. The necessity of the repair/reconstruction of the road arose because major portion of the road was damaged and merged in the canal (running along the road) due to which the road was closed at various places. No repair programme was, however, executed on this road since March 2005. The road (26.43 Km) connects Malerkotla-Sangrur road (SH-11) to Malerkotla-Jarag-Khanna road (MDR-33) after crossing Malerkotla-Nabha Road (MDR-32) and it was the nearest route for the public of Dhuri/Barnala area. Besides, providing smooth surface to 12 villages and purchase centers connected with this road, the main purpose of reconstruction of the road was to reduce the distance by 15 Km for the people of Dhuri/Barnala to Jarag-Khanna. The detailed estimate of the work was prepared (August 2015), wherein the Advisor (Technical) to Chief Minister, Punjab specifically stated that forest clearance and shifting of utilities should be completed before inviting tenders. The Chief Engineer (CE), PWD technically sanctioned<sup>26</sup> (December 2015) the estimate of the work for ₹ 12.55 crore.

Test-check of the records in the office of the Executive Engineer (EE), Construction Division, Malerkotla showed (December 2018) that EE took up (February 2014 and December 2015) the matter of forest clearance with the Forest Department and deposited (February 2016) ₹ 0.27 crore and also submitted (April 2016) undertaking for depositing ₹ 0.80 crore on account of compensatory afforestation.

Scrutiny of records showed that the Department invited tenders (August 2015) without waiting for the forest clearance and allotted (November 2015) the work to a contractor at a cost of ₹ 11.76 crore for completion within five months i.e. up to 22 April 2016. Moreover, no administrative approval (AA)

<sup>26</sup> Re-construction of 15.80 Km and Widening and Strengthening of 10.63 Km.

and technical sanction (TS) was obtained prior to inviting the tenders. The agreement of the work provides that it is incumbent upon the Department to give possession of the site to the contractor to enable him to execute the work.

For completion of the work, 5.3631 hectare forest land was required to be diverted for which Chief Conservator of Forest (CCF), Punjab sought (August 2016) in-principle approval from Government of India (GoI) who asked (October 2016) CCF to submit information of equivalent non-forest land for compensatory afforestation along with site suitability certificate, map and scheme. The GoI rejected (March 2017) the proposal of the State Government due to non-fulfillment of condition of providing equivalent non-forest land for compensatory afforestation. In the meantime, the contractor stopped the work (December 2016) for want of encumbrance free site after execution of work in 9.506 Km road by laying Premix Carpet (PC) along with Seal Coat at various reaches, whereas in other reaches only Granular Sub Base (GSB) and stone metal was laid and a payment of ₹ 3.34 crore was made to the contractor. The completed road was not in continuous length but in scattered reaches<sup>27</sup>. Therefore, it was neither providing the smooth riding to the commuters nor the short route was provided to the Jarag-Khanna area which was the main objective of this work. The work remained incomplete in various reaches<sup>28</sup> (November 2020) due to non-clearance from Forest Department even after lapse of more than four years from the scheduled date of completion which had defeated the main objective of providing short route and smooth riding surface to the public (as depicted in the pictures below) despite spending ₹ 3.61 crore<sup>29</sup> on the work.



The Department admitted (December 2019) the lapse of inviting tenders prior to AA and TS and stated that tenders were invited on the instructions of the Chief Engineer. It was further stated (November 2020) that the road was lying incomplete till date and the Department had no plan to restart the balance work of the road as forest clearance was not given by the concerned department.

<sup>27</sup> PC and Seal Coat was laid in RDs 100-1400, 3500-4123, 4140-4545, 4600-6068, 6717-7217, 8060-9727 and 11718-15261 (9.506 km).

<sup>28</sup> RDs 0-100, 1400-3500, 4123-4140, 4545-4600, 6068-6717, 7217-8060, 9727-11718 and 15261-26430.

<sup>29</sup> ₹ 3.34 crore paid to the contractor and ₹ 0.27 crore deposited with Forest Department as processing charges.

Thus, failure of the Department to ensure encumbrance free site prior to award of the work coupled with non-adherence to codal provisions in allotment of work had resulted into non-completion of the work despite spending ₹ 3.61 crore besides public of Jarag-Khanna area were denied the short route.

The matter was referred to the Government in October 2019; their reply was awaited (December 2020).

**Recommendation: The Department should ensure the availability of encumbrance free site prior to allotment of work for its timely completion.**

## REVENUE, REHABILITATION AND DISASTER MANAGEMENT DEPARTMENT

### 3.6 Excess payment of financial assistance from the State Disaster Response Fund

**Non-adherence to the norms of assistance from the State Disaster Response Fund by the Department with regard to provision of input subsidy to the farmers subject to a ceiling of two hectare of affected land per farmer, resulted in excess payment of financial assistance of ₹ 1.38 crore.**

The Government of India (GoI), Ministry of Home Affairs issued (April 2015) revised guidelines regarding items and norms of assistance from the State Disaster Response Fund<sup>30</sup> (SDRF) in the wake of natural disasters during the period 2015-2020. The revised norms, *inter alia*, provide for financial assistance as input subsidy of ₹ 13,500 per hectare in assured irrigated areas, subject to minimum assistance of not less than ₹ 1,000 (restricted to sown area) to farmers where crop loss is 33 *per cent* and above, and a ceiling of two hectare per farmer (i.e. ₹ 27,000 per farmer).

Test-check of records of the office of the Deputy Commissioner (DC), Barnala showed (August 2018) that in two tehsils of Barnala district, 742 farmers (Tapa: 419 and Barnala: 323) of six villages lost 33 to 75 *per cent* crop yield sown in 5,412 acre 6 kanal 13 marla of land<sup>31</sup> due to heavy rains/hailstorms in March 2017. The DC Barnala, on the basis of reports submitted by the Sub Divisional Magistrates (SDM) Tapa and Barnala demanded (September 2017) funds of ₹ 2.92 crore<sup>32</sup> for providing assistance to farmers. The Department of Revenue, Rehabilitation and Disaster Management (Department) sanctioned (November 2017) ₹ 2.92 crore from the SDRF, which was disbursed (March 2018) by DC Barnala to all the affected farmers.

<sup>30</sup> Contributions to the SDRF are made by GoI and the State Government in the ratio of 75:25 as per SDRF guidelines.

<sup>31</sup> Tehsil Barnala: (i) Chananwal: 1,066 acre; (ii) Chhiniwal Kalan (A and B): 1,420 acre; (iii) Chak Rohi: 214 acre; and Tehsil Tapa: (iv) Bhotna: 1,618 acre 1 kanal 11 marla; (v) Talewal (A and B): 800 acre 8 marla; and (vi) Behla Khurd: 294 acre 4 kanal 14 marla.

<sup>32</sup> At the rate of ₹ 5,400/- per acre, as worked out by the Department.

Audit observed that at the time of preparation of claim for assistance and its disbursement, neither did the DC nor did the Department adhere to the norms of assistance from the SDRF regarding payment of assistance as input subsidy to farmers, subject to a ceiling of two hectare of affected land per farmer (i.e. ₹ 27,000 per farmer). Consequently, all the 742 farmers were paid financial assistance as per their actual area of affected land, which included 369 farmers having land holding of more than two hectare. This resulted into excess payment of financial assistance of ₹ 1.38 crore<sup>33</sup> to 369 farmers from the SDRF in contravention of the norms, *ibid*.

The DC Barnala stated (August 2018 and December 2020) that reports would be obtained from the concerned SDMs and recovery would be made accordingly. Further action/reply of the Department was awaited.

The matter was referred to the Government in June 2019; their reply was awaited (December 2020).

**Recommendation: The State Government may fix responsibility of the concerned officials for disbursement of excess financial assistance to the farmers and ensure strict adherence to the extant norms of assistance from the SDRF.**

## **SCHOOL EDUCATION AND FINANCE DEPARTMENTS**

### **3.7 Suspected fraudulent drawal and disbursement of pay and allowances**

**Failure of the Drawing and Disbursing Officers and the Treasury Officers to exercise prescribed checks on the bills presented to treasury as required under the Punjab Financial Rules and Punjab Treasury Rules, coupled with the absence of mapping of employees' master data in IFMS, resulted into suspected fraudulent drawal and disbursement of pay and allowances amounting to ₹ 1.16 crore in Government High School, Kulgran and Government Senior Secondary School, Panjola.**

Rules 2.2(ii and iii) and 2.31(a) of the Punjab Financial Rules (PFR), Volume-I provide that a drawer of bill for pay, allowances, contingent and other expenses will be held responsible for any overcharges, frauds and misappropriations. Therefore, he should acquaint himself with various financial checks which are required to be exercised for prompt detection of any attempt at defalcation. All monetary transactions should be entered in the cash book as soon as these occur and attested by the head of the office. The cash book should be completely checked and closed regularly. The head of the office should verify the totaling of the cash book or have this done by some responsible subordinate other than the writer of the cash book and initial it as correct. With a view to see that all amounts drawn from treasury have been entered in the cash book, the head of office should obtain from the Treasury Officer (TO) by 15<sup>th</sup> of every month, a list of all bills drawn by him during the

---

<sup>33</sup> Tapa: ₹ 64,62,489 (185 farmers) and Barnala: ₹ 73,06,511 (184 farmers).

previous month and trace all the amounts in the cash book. Further, Rule 192 of the Punjab Treasury Rules (PTR), Volume-I provides that if a bill received in the treasury as a claim for money is, on examination, found deficient, *inter alia*, in respect of arithmetical correctness and of totals, it shall not be passed for payment but shall be returned to the drawing and disbursing officer (DDO) for completion. Note 1 below Rule 192 further provides that the TO is required to ensure that the arithmetic calculations in a bill have been checked properly.

Mention was made in the Comptroller and Auditor General of India's (CAG) Report on Social, General and Economic Sectors (Non-PSUs) for the year ended 31 March 2016 (Paragraph 2.2.6.3(i)(b)), highlighting non-provision of capturing master data of employees in the Integrated Financial Management System<sup>34</sup> (IFMS) to ensure one to one mapping of salary with account number, thus, raising risk of fraudulent/double drawal of pay.

(i) Test-check of records (March 2020) of the Principal, Government High School<sup>35</sup> (GHS), Kulgran, District Ropar revealed that the Principal (DDO) had been submitting various bills for payment, prepared by the bill clerk, online through IFMS. Audit observed<sup>36</sup> that while submitting (December 2015-November 2019) 68 pay bills online through IFMS, total amount of each bill was overstated by inserting undue amounts against the names of transferred/retired/serving employees along with bank account numbers of the bill clerk, who prepared the respective bills. Whereas, while submitting hardcopies of the bills to the treasury, though names of legitimate employees along with salary due to them were included in the statement appended to the respective bills, the total amounts of pay bills were deliberately overstated as to match the amount of the bills submitted online through IFMS. However, the DDO before submitting the pay bills to the treasury and the Treasury Officer (TO) while passing the payment orders did not verify the requisite details (number and names of employees, their bank account numbers, totals of the individual amounts, etc.) entered in the hardcopies of the bills with those entered in the bills submitted online through IFMS. Resultantly, an amount of ₹ 81.29 lakh was fraudulently withdrawn from treasury on account of pay and allowances in the names of nine transferred/retired/serving employees and the same was credited into two bank accounts<sup>37</sup> of the bill clerk during the period from December 2015 to December 2019 (**Appendix 1.9**). The bill clerk, without any orders of the competent authority, continued to prepare bills of GHS, Kulgran even after his transfer (August 2018) to another school<sup>38</sup>, till the new clerk joined there in December 2019.

<sup>34</sup> A web enabled application implemented by the State Government to bring transparency and high responsiveness in public financial management.

<sup>35</sup> Including Government Middle School, attached to GHS, Kulgran.

<sup>36</sup> Checking of available copies of pay bills, bill tracking reports, payment orders passed by the treasury, list of employees available on payroll of GHS Kulgran, entries in the cash book during respective period, etc.

<sup>37</sup> State Bank of India (SBI) Account Nos. 11070882238 and 65003115303.

<sup>38</sup> Government Senior Secondary School, Kahanpur Khuhi, District Ropar.

It was further noticed that an amount of ₹ 18 lakh on account of GPF advance was also fraudulently withdrawn from treasury through bill No. 50 dated 28 September 2019 prepared by the same clerk on the basis of a forged sanction created in the name of a Science Master (similar to his name) not on pay roll of GHS Kulgran, against GPF account No. 77154 which actually pertained to another person who had already retired from the school in the year 2014. The DDO did not verify the details of the GPF bill/sanction with office records before submitting the same to the treasury. The amount of ₹ 18 lakh fraudulently withdrawn from treasury was also credited (December 2019) into the bank account in the name of the said bill clerk.

Audit noticed that though the fraudulent entries were not made in the cash book, amounts against some of the legitimate employees were also not entered correctly and the totals in the cash book were exaggerated as to match amounts of the bills passed by the treasury. However, the DDO neither checked the totals of the cash book while signing it nor did he make proper reconciliation of amounts entered in the cash book with the amounts drawn as per treasury records i.e. the respective pay orders generated by the TO, which were available online through IFMS and were also meant for verification purposes. Besides, the master data of employees had also not been mapped with their requisite bank account/GPF details in IFMS, in spite of having been pointed out earlier through the Comptroller and Auditor General's Report.

Thus, failure of the DDO and the TO to exercise the prescribed checks on the bills presented to treasury as required under Rules, *ibid*, coupled with absence of mapping of employees' master data in IFMS resulted into suspected fraudulent drawal and disbursement of pay and allowances amounting to ₹ 99.29 lakh.

The Secretary, Department of School Education stated (July 2020) that charge sheets had been issued to both the delinquent officials and First Information Report (FIR) lodged against them. The Finance Department stated (November 2020) that departmental action had been initiated against the erring officials of the concerned Treasury Office.

(ii) Test-check of records (October 2018) of the Principal, Government Senior Secondary School Panjola, district Patiala revealed that in 30 bills submitted by the Principal to the District Treasury Officer, Patiala for drawal of salary of the staff, the total amount payable against each bill was overstated by an amount ranging between ₹ 10,948 and ₹ 60,600 as compared to the total salary of individual employees. Though the correct salary of each of these employees was included in the salary statement appended to the respective bills, the total amount of salary in this statement was deliberately overstated<sup>39</sup> as to match with the amount entered in the bill. In all these cases, the District Treasury Officer ordered the payment of the full amounts claimed in the respective bills without totaling the individual salary of each employee to ensure that the total matched with the amount claimed in the bills. In case of 30 salary bills, ₹ 16,23,108 (**Appendix 1.10**) were drawn in excess of the

---

<sup>39</sup> Though in two cases (Sr. No 22 and 23 of Appendix) the total was correctly made in the hard copy of pay bills.

actual amount due. Out of 30 bills, one bill ₹ 46,500 was credited in Bank Account<sup>40</sup> belonging to the bill clerk's daughter. Out of remaining 29 bills ₹ 15,41,608 were credited in the Bank Account<sup>41</sup> belonging to his wife, whereas ₹ 35,000 was credited in the Bank Account<sup>42</sup> of a Peon.

While admitting the audit observation, the Department stated (January 2019) that the bill clerk had accepted (November 2018) his fault of submitting the inflated bills through online system. The Department had recovered ₹ 15,66,508 from the bill clerk and deposited (December 2018) into the treasury. Disciplinary action had also been initiated (April 2019) against the bill clerk and the concerned DDO by the Department. However, balance recovery of ₹ 56,600 is still awaited (December 2019).

This shows weak internal controls of the Department as neither the bills were properly checked before submission to treasury nor were the amounts entered in the cash book reconciled with the amounts drawn as per the treasury records (the respective pay orders generated by DTO) which were available online on IFMS and were also meant for verification purposes. Had proper check been done as per rules, *ibid*, and had the DTO ensured the correctness of calculations of the bills, no excess amount could have been drawn from the treasury.

The DTO stated (November 2019) that there was no possibility of any alteration in respect of bills submitted by DDOs through IFMS online system. Therefore, this office had not made any over payment. The reply was not acceptable because advent of IFMS does not absolve the DTO from carrying out his assigned functions. While sending bills online the DDO also sends hardcopies to the DTO. Hence, it is incumbent upon the DTO to check the arithmetic accuracy as well as to check whether the online bills and the manual copy submitted to treasury were same.

Thus, failure of the Drawing and Disbursing Officer and the District Treasury Officer to exercise the prescribed checks on the bills presented to treasury for payment and proper accountal thereof facilitated suspected fraudulent drawal and misappropriation of Government money of ₹ 16.23 lakh.

The matter in respect of part (ii) was referred to the Government in February 2019; their reply was awaited (December 2020).

**Recommendation: The State Government may ensure mapping of employees' master data, besides incorporating adequate validation checks in IFMS commensurate with the codal provisions to minimise human intervention, to have a strong and reliable internal control mechanism with a view to prevent recurrence of such cases of suspected misappropriation of Government money. Additionally, responsibility needs to be fixed and action finalised against concerned delinquent officials indulging in fraudulent withdrawals.**

<sup>40</sup> 6012006900012634 (Bill clerk's daughter).

<sup>41</sup> 6482191036572 (Bill clerk's wife).

<sup>42</sup> 6012001300001079 (School Peon).

**TECHNICAL EDUCATION AND INDUSTRIAL TRAINING, AND  
FINANCE DEPARTMENTS**

**3.8 Idle expenditure arising from incomplete work for setting up of  
Institute for Training of Trainers**

**Due to delayed/non-release of adequate funds by the Finance Department, Institute for Training of Trainers at Lalru could not be made functional, thereby not only rendering the expenditure of ₹ 6.34 crore idle, but the intended objective of having trained and qualified instructors under the Craft Instructor Training scheme could not be achieved.**

In order to meet demand of trained and qualified instructors and to decentralise instructor training from the Central institutes to State-run institutes by setting up facilities for instructor training, the Ministry of Labour and Employment, Government of India (GoI), decided (December 2007) to set up Instructor Training Wings (ITW) in various States under its Craft Instructor Training Scheme (CITS) under World Bank assisted Vocational Training Improvement Project (VTIP). The ITWs were to be established by utilising the existing workshops/infrastructure of the Industrial Training Institutes (ITI) already running in the States. Accordingly, the GoI approved (March 2011) the proposal (February 2011) of the Government of Punjab (GoP) for setting up of ITW in ITI, Lalru with a total cost of ₹ 3.50 crore<sup>43</sup> to be shared between the Centre and the State in the ratio of 75:25; and released ₹ 0.81 crore as first instalment to be utilised within one year.

Audit of records (December 2018) of the Director, Technical Education and Industrial Training, Punjab (Department) showed that the Department accorded (August 2011) administrative approval for the work of construction of hostel block at a cost of ₹ 2.18 crore and sanctioned (August 2011) ₹ 0.99 crore (including Central share of ₹ 0.81 crore) for the purpose. The work of construction of hostel block was allotted to a contractor in March 2012, which was to be completed by October 2012. However, after completing 65 per cent of the work with available funds of ₹ 0.99 crore, the work had been lying suspended since October 2012 for want of additional funds of ₹ 1.19 crore (March 2018).

In the meantime, the GoI decided (February-March 2012) to set up full-fledged Institutes exclusively for Training of Trainers (IToT) under VTIP in place of ITW. Accordingly, the GoI approved (September 2013) the revised proposal (June 2013) of the State Government for setting up of IToT<sup>44</sup> at Lalru with a total cost of ₹ 9.90 crore<sup>45</sup>, to be shared between the Centre and

<sup>43</sup> Civil Works: ₹ 1.00 crore (though total cost of civil works was ₹ 2.52 crore, balance amount of ₹ 1.52 crore were to be arranged from State budget); equipment and furniture: ₹ 1.50 crore; books and software: ₹ 0.20 crore; and recurring cost: ₹ 0.80 crore.

<sup>44</sup> As per revised proposal, initially three trades viz. (i) Draughtsman Civil; (ii) Refrigeration and Air-conditioning; and (iii) Mechanic Diesel, were to be covered in IToT, Lalru.

<sup>45</sup> Civil Works: ₹ 5.50 crore; equipment and furniture/learning resources: ₹ 4.00 crore; and recurring cost: ₹ 0.40 crore.

the State in the ratio of 75:25<sup>46</sup>; and released ₹ 4.25 crore (including ₹ 0.81 crore released earlier in March 2011) as first instalment. It was incumbent upon the State Government to ensure completion of civil works by September 2014 and procurement of goods by October 2014.

The State Government, after more than two years from release of funds by the GoI, released ₹ 4.50 crore<sup>47</sup> (October 2015: ₹ 2.50 crore and June 2016: ₹ 2.00 crore) for construction of workshop block, parking, road and administration/academic block. Though the civil works allotted in January 2016 were completed in July 2016 with an expenditure of ₹ 4.88 crore<sup>48</sup>, the buildings were handed over by the Public Works Department (PWD) to the Department in October 2018 after rectifying the defects in construction pointed out by an inspection committee of the Department. However, for want of additional funds of ₹ 5.70 crore for supplementary civil works (₹ 4.29 crore) and machinery and furniture (₹ 1.41 crore), IToT at Lalru could not be made functional for intended purpose (June 2020), though the building was being used to impart refresher training to the instructors of various Government ITIs of Punjab State.

Further, the State Government, after more than five years, released (March 2018) additional funds of ₹ 1.13 crore against the requirement of ₹ 1.19 crore, to the PWD for execution of incomplete work of hostel block. Of these, PWD adjusted the excess expenditure of ₹ 0.38 crore towards execution of civil works for construction of workshop block, parking, road and administration/academic block, leaving a balance of ₹ 0.75 crore, which was not adequate to complete the work of hostel block. Thus, the said incomplete work could not be executed by PWD (June 2020).

The State Government submitted (July 2016) utilisation certificate for ₹ 4.25 crore to the GoI after about two years from stipulated date of utilisation (September 2014). Subsequently, the GoI released ₹ 2.24 crore on 10 September 2018 out of savings under various components of VTIP for ongoing activity of setting up of IToT with the condition to complete the infrastructure for IToT before the close of the project i.e. by 30 September 2018. Of these, the Department utilised ₹ 0.47 crore for procurement of machinery leaving a balance of ₹ 1.77 crore with the Finance Department. Subsequently, the GoI asked (August 2019) the State Government to refund the unspent balance, besides, not releasing the balance funds of ₹ 0.61 crore, VTIP project having been closed on 30 September 2018. However, the balance amount was yet to be refunded by the State Government (June 2020).

The Joint Director, Technical Education and Industrial Training, Punjab stated (June 2020) that the Finance Department had made the budget provision for

<sup>46</sup> Allocation was restricted to ₹ 9.46 crore (Centre: ₹ 7.10 crore and State: ₹ 2.36 crore) for sharing purpose.

<sup>47</sup> State Share: ₹ 1.06 crore and Centre share: ₹ 3.44 crore (out of ₹ 4.25 crore sanctioned/released by GoI in September 2013).

<sup>48</sup> Excess expenditure of ₹ 0.38 crore was adjusted by PWD out of the additional funds of ₹ 1.13 crore released (March 2018) by the Department for completion of work of hostel block.

the purpose and efforts were being made to get the funds released and procure the requisite machinery. The reply was not acceptable as against the requirement of ₹ 5.70 crore, budget provision of ₹ 0.41 crore had only been made during the year 2020-21. Further reply/action of the Department was awaited (November 2020). Thus, due to delayed/non-release of adequate funds by the Finance Department, IToT at Lalru could not be made functional, thereby not only rendering the expenditure of ₹ 6.34 crore idle, but the intended objective of having trained and qualified instructors under the Central scheme could not be achieved.

The matter was referred to the Government in April 2019; their reply was awaited (December 2020).

**Recommendation: The State Government may ensure timely availability of funds for making IToT, Lalru functional to attain the objective of having trained and qualified instructors.**

## WATER RESOURCES DEPARTMENT

### 3.9 Undue extra burden on the State exchequer

**Due to non-valuation of the structures on the acquired land before announcing an award by the Land Acquisition Collector, Shahpurkandi, the Department had to pay compensation for structures through a supplementary award, resulting into avoidable payment of ₹ 3.26 crore on account of solatium, besides the Department also paid inadmissible amount of ₹ 1.69 crore towards additional increase on the value of structures.**

Section 23 of the Land Acquisition Act, 1894 (Old Act) provides that market value of the land was to be determined on the date of publication of notification under Section 4 of the Act. Section 23(1A) of the Old Act provides that in addition to the market value of the land, an amount calculated at the rate of 12 *per cent* from the date of notification to the date of award by the Collector or the date of taking possession of land, whichever is earlier is to be paid. Section 23(1A) and Section 23(2) of the Act provide for the grant of extra compensation<sup>49</sup> on the market value of land acquired and not on the total award.

Standing Order<sup>50</sup> No. 28 (April 2008) provides that immediately after the issue of notification under Section 4 of the Old Act, the Land Acquisition Collector (Collector) would obtain a report from competent technical officers regarding the exact number and valuation of structures, trees, wells and tube-wells, etc. on the land to be acquired and a rough assessment must be made available, prior to the issue of notification under Section 6 of the Act.

---

<sup>49</sup> Thirty *per cent* as solatium and 12 *per cent* additional compensation.

<sup>50</sup> Dealing with the acquisition of land for public purposes.

Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (New Act) came into force on 1 January 2014. Section 30 (1),(3) of the New Act provides that in addition to the market value of land provided under Section 26, the Collector shall in every case, award an amount calculated at the rate of twelve *per cent* per annum on such market value for the period commencing on and from the date of the publication of the notification of social impact assessment study till the date of award or the date of possession of land, whichever is earlier and solatium<sup>51</sup> at the rate of 100 *per cent* on the total compensation is to be paid.

Test-check of the records in the office of the Financial Advisor and Chief Accounts Officer (FA and CAO), Ranjit Sagar Dam (RSD) Project Shahpurkandi Township (November 2019) and subsequent information collected (February 2020), revealed that Government of Punjab, Department of Water Resources (Department) had issued notifications<sup>52</sup> under the Old Act for acquisition of 3.86 acre land in Revenue Estate of *Thara Jhikla Teeka Dung at Dharkalan Tehsil* of district Pathankot for reservoir of Shahpurkandi Dam project. The award was declared by the Collector, RSD, Shahpurkandi on 26 November 2012 for ₹ 0.81 crore<sup>53</sup> without assessing the number and valuation of structures<sup>54</sup> on the land, on the grounds that the assessment list of structures was not supplied by the acquiring department. Moreover, the Department did not ensure existence of structures on the land by video filming/photography in the presence of designated Executive Magistrate as provided in the standing orders, *ibid*, issued in April 2008.

Audit further noticed that the value of structures was got assessed from the Executive Engineer, Central Works Division, Pathankot in February 2015 (after more than two years of earlier award) for ₹ 3.26 crore i.e., after the new Act came into force. To grant compensation for the structures, the Collector had to announce (March 2016) a supplementary award for ₹ 8.21 crore. It was observed that the supplementary award included (i) value of structures (₹ 3.26 crore), (ii) solatium (₹ 3.26 crore) at the rate of 100 *per cent* on the value of structures which was not payable as per the provisions of the Old Act and hence was avoidable had the value of structures been assessed before announcing the original award, and (iii) additional increase<sup>55</sup> (₹ 1.69 crore) on the value of structures which was not payable as per the Old as well as New Act (**Appendix 1.11**). Out of ₹ 8.21 crore drawn from treasury in May 2019, ₹ 7.65 crore were disbursed to the land owners up to November 2019.

The Government stated (November 2020) that the assessment list of structures was not supplied by the acquiring department at the time of award No. 20

<sup>51</sup> Solatium is a consideration of the compulsory nature of the acquisition of land.

<sup>52</sup> (i) Under Section 4 on 28 November 2011; (ii) Under Section 6 on 25 May 2012.

<sup>53</sup> (i) Market value of land ₹ 0.57 crore; (ii) Solatium of ₹ 0.17 crore at the rate of 30 *per cent* on market value; and (iii) Additional increase of ₹ 0.07 crore at the rate of 12 *per cent* per annum on market value of land for the period 28.11.2011 to 26.11.2012.

<sup>54</sup> RCC slabs, Shed CGI sheets, Water tanks etc.

<sup>55</sup> At the rate of 12 *per cent* for the period 28.11.2011 (date of notification under Section 4 of the Old Act) to 18 March 2016.

announced in November 2012, therefore, value of structures could not be included in the award. The reply was not acceptable because it was incumbent upon Land Acquisition Collector to obtain the rough assessment of value of structures lying on the land prior to announcement of notification under Section 6 of the Old Act.

Thus, due to non-valuation of the structures on the acquired land before announcing the original award by the Land Acquisition Collector, Shahpurkandi, the Department had to pay compensation for structures through a supplementary award resulting into avoidable payment of ₹ 3.26 crore on account of solatium, besides the Department also paid inadmissible amount of ₹ 1.69 crore towards additional increase on the value of structures.

**Recommendation: The Department must ensure adherence to provisions of the Land Acquisition Act, to avoid excess payment.**

### **WATER SUPPLY AND SANITATION, HOUSING AND URBAN DEVELOPMENT, AND FINANCE DEPARTMENTS**

#### **3.10 Ungainful expenditure on a non-functional sewerage scheme**

**Preparation of a project without making provision for digging of a toll road coupled with non-ensuring of sufficient funds, resulted into non-commissioning of the sewerage system even after lapse of more than seven years, beyond its stipulated date of completion. This not only rendered the expenditure of ₹ 18.95 crore ungainful but also led to continued exposure of the residents of Baghapurana town to unhygienic conditions.**

Paragraph 2.89 of the PWD code provides that no work shall be commenced unless properly detailed design and estimate has been sanctioned, allotment of funds made and orders for its commencement issued by the competent authority. Further, Paragraph 6.11(vi) of the PWD (B and R) Manual of Orders provides for careful preliminary investigation prior to the framing of a project so as to ensure that the estimate is made, as complete as possible, to avoid excess over the original estimate and to dispense with the necessity of revising the estimate.

With a view to dispose of all types of waste i.e. household, industrial and institutional waste to prevent communicable diseases, Water Supply and Sanitation Department, Government of Punjab (GoP) accorded (November 2010) administrative approval (AA) to the project “Providing sewerage system and sewerage treatment plant” in Baghapurana town of Moga district for ₹ 22.56 crore. As per condition of AA, the work was to be started after provision of funds by the Greater Ludhiana Area Development Authority (GLADA). The Executive Engineer (EE), Water Supply and Sanitation Division (WSSD), Moga prepared (November 2010) a detailed estimate of the project for ₹ 22.56 crore, consisting of (i) laying of sewer pipelines, manholes;

(ii) construction of Main Pumping Station (MPS); and (iii) construction of sewerage treatment plant (STP) besides other<sup>56</sup> contingent works.

Audit observed (December 2015) that the EE allotted (April and November 2011) three<sup>57</sup> works of providing sewerage system, MPS and STP to three agencies at a cost of ₹ 19.04 crore, without approval of the detailed estimate from the competent authority. The works were to be completed between October 2011 and November 2012. However, GLADA released ₹ 18.80 crore for the project upto October 2015 in a staggered manner i.e. over a period of six years from 2010-11 to 2015-16. The Additional Chief Administrator of the GLADA, in response to demand (October 2015) of further funds by the EE, stated (October 2015) that funds for the balance work would now be provided by the Punjab Infrastructure Development Board (PIDB) who released (2016-17) ₹ 1.66 crore only (January 2020). Thus, against the requirement of ₹ 22.56 crore before November 2012 (completion of the work), ₹ 20.46 crore only were provided to the EE as of March 2020.

Out of the available ₹ 20.46 crore, the EE incurred an expenditure of ₹ 18.95 crore<sup>58</sup> on execution of (i) laying of sewerage pipes (80 per cent-42,350 metre laid out of total 53,200 metre) (ii) MPS and STP (90 per cent). Audit observed that for laying of the remaining sewerage pipelines, digging of Moga-Kotkapura road, a toll road, was required. For this, a 'No Objection Certificate' (NOC) for digging of the road was required and the agency operating the toll road demanded (August 2016) ₹ 19.15 crore for restoration of the road after laying the main sewer line and to recover revenue loss due to closure of the road. However, laying of this sewer line could not be completed as the project estimate of the sewerage scheme prepared by the EE did not include any provision for digging of the road. As a result, the work of laying the sewer lines was held up since August 2016 and due to non-completion of this remaining portion, the entire sewerage system could not be made functional.

Considering the high cost of getting NOC, the Department hired a consultant to prepare and submit an economical project for commissioning of the already laid sewerage system, avoiding digging of the toll road. On the basis of the

<sup>56</sup> (i) Land acquisition; (ii) sundry expenses (electric connection fees, tender invitation cost, preparation of estimate, DNIT documents, etc.); and (iii) contingent expenses.

<sup>57</sup>

Sr. No.	Name of the work	Date of allotment	Allotted cost (₹ in crore)	Period for completion	Stipulated date of completion
1.	Providing and laying of sewerage system alongwith manhole (East Zone)	27.4.2011	7.11	06 months	26.10.2011
2.	Providing and laying of sewerage system alongwith manhole (West Zone)	27.4.2011	6.11	06 months	26.10.2011
3.	Design, construction, erection, testing and commissioning of Main Pumping Station and Sewerage Treatment Plant and incidental works	9.11.2011	5.82	12 months	8.11.2012

<sup>58</sup> (i) Sewer pipelines and manholes-₹ 10.41 crore; (ii) construction of STP-₹ 4.89 crore; (iii) payments to land owners-₹ 0.64 crore; (iv) Misc. expenditure (electric connection fees, tender invitation cost, preparation of DNIT documents, etc.)-₹ 3.00 crore; and (v) Contingency expenses-₹ 0.01 crore.

proposal of the consultant, the EE worked out (January 2020) requirement of ₹ 2.59 crore<sup>59</sup> for completing the work. However, due to non-providing of funds by the PIDB, the work could not be re-started and sewerage scheme remained non-functional (March 2020). The EE admitted (October 2019) the facts.

Thus, non-inclusion of provision for digging of a toll road while preparing the project and then starting the work without technical sanction coupled with non-ensuring availability of sufficient funds prior to allotment of work resulted into non-commissioning of the sewerage system, even after lapse of more than seven years beyond its stipulated date of completion (November 2012). This not only rendered the expenditure of ₹ 18.95 crore ungainful but also led to continued exposure of the residents of Baghapurana town to unhygienic conditions besides deterioration in the executed works.

The matter was referred to the Government in April 2018; their reply was awaited (December 2020).

**Recommendation: The Department should prepare detail project report, after taking into account all relevant factors and ensure sufficient funds prior to allotment of work, to avoid any delay in completion of work.**

---

<sup>59</sup> After taking into account the balance out of the earlier funds.