

Chapter-VII
Compliance Audit Observations
(Departments)

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Compliance Audit Observations (Departments)

This chapter contains 19 observations¹ covering compliance issues under Social, General, Economic and Revenue Departments involving financial effect of ₹ 152.25 crore². The Departments accepted audit observations involving ₹ 2.41 crore³ and recovered ₹ 0.26 crore⁴. The replies provided by the authorities have been incorporated in the relevant observations. These are discussed in the following observations 7.1 to 7.19:

Social, General and Economic Departments

AGRICULTURE AND FARMERS' WELFARE DEPARTMENT

7.1 Idle expenditure

Failure of the Department to implement the project of cotton mechanisation without obtaining the results of trial project and proper feasibility study resulted into bad investment and idle expenditure of ₹ 2.05 crore on purchase of the machineries.

In order to address the problem of decrease in cotton sowing area⁵ in the State, Apex level and other officers of the State Agriculture Department (Department) visited a trial project site⁶ on 24 October 2013. The output of this trial project was stated only in the minutes of meeting (November 2013) by the Department that yield of cotton had increased by 50 per cent and labour problem of cotton picking was solved. Thus, it was decided to develop the mechanised farming of cotton with the help of private companies who had executed the trial project and Punjab Agriculture University (PAU). However, it was seen that there was no research/result-oriented report of the trial project that was discussed by the Department based on which the decision to execute the project was taken.

The Department further decided (March 2014) to implement the experience of mechanised cotton farming on a large scale in the State with adaptive trial in

¹ Excise and Taxation Department (7), Department of Revenue, Rehabilitation and Disaster Management (2), Transport Department (2), Department of Agriculture and Farmers' Welfare (1), Cooperation Department (1), Public Works Department (Building and Roads) (1), Department of Technical Education and Industrial Training (3), Water Resources and Finance Department (2).

² Excise and Taxation Department (₹ 2.37 crore), Revenue, Rehabilitation and Disaster Management Department (₹ 2.48 crore), Transport Department (₹ 1.74 crore), Agriculture and Farmers Welfare Department (₹ 2.05 crore), Cooperation Department (₹ 0.71 crore), Public Works Department (Building and Roads) (₹ 73.89 crore), Technical Education and Industrial Training Department (₹ 2.99 crore), Water Resources and Finance Departments (₹ 66.02 crore).

³ Excise and Taxation Department (₹ 0.75 crore in 12 cases), Department of Revenue, Rehabilitation and Disaster Management (₹ 0.02 crore in 1 case), Transport Department (₹ 1.64 crore in 33 cases).

⁴ Excise and Taxation Department (₹ 0.26 crore in 1 case).

⁵ Decreased from 6.04 lakh hectares in 2007 to 4.81 lakh hectares in 2012.

⁶ A site where private companies implemented (October 2013) a project on trial basis in 50 acre land in Fazilka district in which high density cotton cultivation was initiated by using plant growth retardants to limit the height of cotton plant upto 4.5 feet.

1,500 acre land with targeted yield of 10 quintal per acre in three districts⁷. It was also decided that the PAU would conduct a research trial in 20 acres of land at its Regional Research Station (RRS), Faridkot on integrated cotton mechanisation. Accordingly, a Memorandum of Understanding (MoU) was signed for the period April 2014 to February 2016 between the Department and other parties for implementation of the project in four districts⁸ on 5,000 acres land. As per MoU, the Agriculture Department was required to arrange machineries (three mechanical cotton pickers and one cotton pre-cleaner and dryer) from its own resources for which Government of India approved (February 2015) action plan under Crop Diversification Programme for providing assistance of ₹ 2.11⁹ crore for purchase of the machinery.

Scrutiny of records (December 2020 and September 2021) of the Department and other offices¹⁰ showed that the Department had purchased (September and November 2014) three cotton pickers at a cost of ₹ 0.92 crore and one cotton cleaner and dryer for ₹ 1.13 crore. Cotton pickers were transferred (September 2014) to the RRS, Faridkot for research purposes and the cotton cleaner and dryer was installed (December 2014) at Market Committee, Malout. Further, it was observed that during 2014-17, area covered under mechanical picking was meager as compared to mechanical farming¹¹. PAU concluded (2014-15) that the cost of mechanical and manual picking was almost the same (₹ 5 per kg). It was observed that the farmers were willing to plant cotton crop using the High Density Planting System (HDPS) but reluctant to take up machine picking due to very high leftover losses and trash content as the plant growth retardants were not very effective for checking the plant height. No further research activities were carried out by the RRS and three pickers remained idle since September 2014.

The cotton cleaner/dryer was also under-utilised during 2014-17¹² due to very low coverage by mechanised picker and non-receipt of required cotton variety for cleaning. Also, the cleaner was not in working condition thereafter for want of repair.



Cotton cleaner/dryer lying idle in Malout Market Committee (9 September 2021)



Cotton picker lying idle in RRS, Faridkot (29 September 2021)

⁷ (i) Bathinda; (ii) Sri Muksar Sahib; and (iii) Fazilka.

⁸ (i) Bathinda; (ii) Sri Muksar Sahib; (iii) Fazilka; and (iv) Faridkot.

⁹ Three mechanical pickers- ₹ 0.96 crore and one cotton cleaner and dryer- ₹ 1.15 crore.

¹⁰ (i) Punjab Mandi Board (PMB); (ii) Punjab Agro Industries Corporation (PAIC); and (iii) Punjab Agricultural University (PAU).

¹¹ 2014-15-Sown area by the planter-1452 acre, area picked by the cotton picker-14.50 acre.

2015-16-Sown area by the planter-2218 acre, area picked by the picker-103.50 acre.

2016-17-Sown area by the planter-1452 acre, area picked by the picker-41 acre.

¹² 2014-15-08 Quintals; 2015-16- 26 Quintals and 2016-17- 08 Quintals.

While reviewing the progress of cotton mechanisation (April 2017), the Department admitted that there was no variety/hybrid variety of cotton suitable for mechanical picking. The Department decided (April 2017) to keep focus only on HDPS to improve the plant population for Kharif season 2017. The decision of the Department to continue only with HDPS after lapse of three years since implementation of the cotton mechanisation project indicated that the project was implemented in haste without ensuring research results of trial project, proper feasibility study and its economic viability.

The Department attributed (October 2021) the reason of less picking by the machines to height of the plants that remained a limiting factor and due to which the cotton picking was done manually and also stated (December 2021) that the cotton cleaner/dryer was not utilised due to non-receipt of desired cotton variety. The reply of the Department confirmed that the project was implemented without due diligence and even without obtaining research results of the trial project. Further, the decision of the Department (April 2017) not to go with mechanical picking and pre-cleaning from Kharif Season 2017 justifies the same. Thus, the Department implemented the project of cotton mechanisation without proper feasibility study which resulted in bad investment as the expenditure of ₹ 2.05 crore on purchase of the machinery remained idle. Further, the purpose of the entire project to increase the area under cotton cultivation has still not been achieved as area under cotton cultivation in the State has decreased from 4.21 lakh hectare in 2014-15 to 2.52 lakh hectare in 2020-21.

Recommendation: The Department should evaluate the actual results of research projects, involving new technologies prior to incurring of expenditure on any project.

The matter was referred to Government in September 2021; reply was awaited (November 2022).

COOPERATION DEPARTMENT

7.2 Suspected misappropriation of Pay and General Provident Fund

Failure of the Drawing and Disbursing officer and the Treasury Officer to exercise prescribed checks on the bills presented to treasury as required under the Punjab Financial Rules and Punjab Treasury Rules coupled with sharing of login details with the bill clerk, resulted into suspected fraudulent drawal and disbursement of pay, allowances and General Provident Fund amounting to ₹ 71.35 lakh.

Rules 2.2(ii) and 2.31(a) of 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 overcharge, 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 and all the transactions should be entered in the cash book. Rule 13.29 of Punjab Civil Services Rules Volume-II provides that a retiring employee can be granted 90 *per cent* of the amount in credit in his General Provident Fund¹³ (GPF) account without any reasons during 12 months before the date of the retirement.

Further, Department of Finance (FD), Government of Punjab, issued instructions (July 2020) regarding automation of updation of bank account details of employees through Integrated Human Resources Management System (i-HRMS) and Integrated Financial Management System (IFMS).

Test check of records (August 2021) of office of the Assistant Registrar, Cooperative Societies (ARCS), Jalalabad (West), Fazilka revealed that an amount of ₹ 31.06 lakh was drawn (February 2021) from GPF account¹⁴ of an employee 'A' against a sanction order issued (January 2021) by the authority¹⁵ concerned but the withdrawn amount was credited to the bank account of the employee responsible for preparation of bills (bill clerk). Audit promptly pursued the case (10 August 2021) with RCS, Punjab, Chandigarh to ascertain the authenticity of the sanction of GPF withdrawal. The RCS intimated on 12 August 2021 that the said sanction had not been issued by his office and it might have been issued under forged signature of the RCS. Audit also cross verified the office order of February 2021 issued by ARCS, Jalalabad and was found fake¹⁶, and no application of GPF subscriber (employee A) for the withdrawal of 90 *per cent* was available in the record.

Further, Audit observed that three bills¹⁷ of pay and arrears of two employees (employee 'A' and employee 'B') were drawn from the treasury during November 2020 to April 2021 and were got credited in the bank accounts of the same bill clerk¹⁸ instead of the bank accounts of employees concerned¹⁹. During scrutiny of the records (December 2021), it was found that an amount of ₹ 35.54 lakh²⁰ was drawn (February 2020) in the name of another employee (Employee C who was posted in Jalalabad during 2014 and dismissed from

¹³ GPF is provident fund account of a Government employee who invest a part of his salary for a certain period of time and avail the amount on maturity.

¹⁴ GPF account No. PBCOOPMIN878.

¹⁵ Registrar, Cooperative Society (RCS), Punjab (GPF account maintaining authority).

¹⁶ Endorsement number under which sanction was issued was marked in the despatch register to the District Manager, Central Co-operative Bank, Fazilka.

¹⁷ Arrear Bill dated 25.11.2020 of employee B for ₹ 3,57,643, Pay bill dated 03.03.2021, Pay bill dated 19.04.2021 of employee A for ₹ 1,17,706.

¹⁸ Arrear of ₹ 3,57,643 of employee B credited in AXIS bank account No.041534001001033 and Pay of employee 'A' ₹ 1,17,706 credited in AXIS bank account no.041534037100145 of the Bill clerk.

¹⁹ Bank account No. of Employee A (SBI 30742250534), Bank Account No. of Employee B (Punjab and Sind Bank 01431000044944).

²⁰ ₹ 28.04 lakh: GPF and ₹ 7.50 lakh: Leave encashment.

services from Ferozepur) on the basis of another fake sanction and the withdrawn amount was credited in the bank accounts being operated by the bill clerk's mother.²¹ Accordingly, the bill clerk got the GPF withdrawal/pay and allowances of ₹ 71.35 lakh²² credited in his/his mother's bank accounts. Cash book for the period February 2020 to August 2021 was not maintained and also reconciliation of withdrawals was not conducted with the treasury's records.

On being pointed out in audit (August 2021 and December 2021), ARCS, Jalalabad replied that though no request for change/updation of bank account details was received from the employees, the bill clerk responsible for the preparation of bills changed the bank account number of the employees with his own/mother's Savings bank account numbers²³ without the verification/authenticity of DDO because right to make change/updation in the bank account details in i-HRMS software was registered with the mobile number of bill clerk. Further, as per latest reply (September 2022), it was communicated that chargesheet had been issued and was being examined by ARCS, Abohar but the bill clerk had not attended any departmental hearing till date.

The Treasury Officer (TO) Jalalabad stated (December 2021) that due to workload, the authenticity of sanction could not be verified at the time of making payment. Furthermore, the RCS, Punjab, Chandigarh intimated (September 2022) that chargesheet had been issued (March 2022) against the ARCS concerned and the matter had been taken up with the Finance Department, Government of Punjab to take due action against the officer/official concerned of the TO Jalalabad. Reply of Finance Department, Punjab was awaited (November 2022).

This entire scenario depicts weak internal control and system failure within the Department, as no authority has been able to exercise necessary checks. Further, the sanction of 90 *per cent* GPF withdrawal had various shortcomings²⁴, final payment of GPF of employee C was not required to be paid as the said employee was already dismissed from another office, details of bank accounts of the employees were frequently updated without their knowledge which eventually led to suspected misappropriation of ₹ 71.35 lakh. This amount is yet to be recovered from the bill clerk and he has not attended any departmental hearing till date. It altogether deprived the employee A from getting his own GPF amount of ₹ 7.36 lakh which he might

²¹ Amount of ₹ 35.54 lakh of Employee C credited in Account of Bill clerk's mother Account (SBI 30198383902).

²² ₹ 59.10 lakh: GPF, ₹ 4.75 lakh: pay and arrears and ₹ 7.50 lakh: Leave encashment.

²³ 041534037100145, 041534001001033 of Fazilka Central Cooperative Bank Ltd. (Account Nos. of bill clerk) and 30198383902 of SBI Jalalabad (Account number of bill clerk's mother).

²⁴ (i) Difference in basic pay between sanction and GPF bill of 90 *per cent* withdrawal; (ii) Remaining services of the employee A shown in sanction as 15 years; and (iii) Purpose was shown as 90 *per cent* withdrawal within six months.

have required for any unforeseen circumstances/exigencies. Such insensitive and unsympathetic behavior of the department resulted into harassment and inconvenience to his own employees. This case came to notice during test check of records of auditee unit and possibility of such cases cannot be denied in other auditee units of this department as well as other departments.

Recommendation: The Government/Department may impress upon all the concerned to ensure application of access controls, segregation of duties and other validation checks in i-HRMS and IFMS so as to ensure strict compliance to the *ibid* codal provisions to have a strong and reliable internal control mechanism with a view to prevent recurrence of such cases of suspected misappropriation of Government money. Further, the responsibility of delinquent officers/officials may be fixed for suspected drawal and disbursement of pay/allowances and General Provident Funds in *ibid* cases.

The matter was referred to Government in November 2021; reply was awaited (November 2022).

PUBLIC WORKS DEPARTMENT (BUILDINGS AND ROADS)

7.3 Creation of infrastructure out of Central Road and Infrastructure Fund

The Department did not prepare core network of roads. The Department did not take any initiative towards road safety under Central Road and Infrastructure Fund. Delayed/non-submission of UCs to the Government of India led to non-release of ₹ 428.78 crore of the State's allocation by the Central Government. The State Government delayed release of funds to PWD resulting in payment of interest of ₹ 1.84 crore to the contractors. Delay in completion of the works led to payment of price escalation of ₹ 8.65 crore. State Quality Monitors were not appointed to monitor the works.

7.3.1 Introduction

Central Road Fund (CRF) was created under CRF Act, 2000 (renamed as Central Road and Infrastructure Fund (CRIF) w.e.f. 01 April 2018) for development and up-gradation of road network and improvement of road safety works. The Chief Engineer, National Highways (NH), PWD (B&R), Punjab (CE) is the technical head of the Department to accord technical sanctions of the works and overall monitoring of the projects sanctioned under CRIF. The works are executed by Public Works Divisions each headed by an Executive Engineer (EE).

Records of ten²⁵ Divisions of PWD which executed CRIF works in respect of 17 road works were examined in Audit. Six²⁶ out of these 17 roads were physically visited along with Department's representatives.

Audit findings

7.3.2 Planning

7.3.2.1 Non-preparation of core network

(i) Rule 4 read with Rule 5(2) (a) of Central Road Fund (State Roads) Rules, 2014 (Rules) *inter alia* provides that priority shall be given to take up the projects from the core network²⁷ only. Rule 5(2) of the Rules further provides that priority under CRIF shall be given to the road identified in the core network and the State Highways/Major District Roads/Other District Roads (ODR).

It was seen that no core network had been prepared. Further it was seen that a road²⁸ having length of 11.66 kms was got approved (November 2018) for ₹ 10.16 crore under Other District Roads category by Provincial Division, Sangrur and ₹ 8.57 crore were incurred on this road out of CRIF. Out of the approved length, 9.935 kms (85.20 *per cent*) were various streets²⁹ of Municipal Committee (MC), Bhawanigarh (Sangrur) which were not eligible for coverage under CRIF. The EE, Provincial Division, Sangrur stated (October 2021) that status of the road was upgraded to ODR by the Government. The reply is not convincing as the bunch of MC streets could not be treated as ODR as this road was not connecting the rural area to any MDR as per definition³⁰ of ODR.

7.3.2.2 Road Safety infrastructure in the State

(i) Rule 3 of Central Road Fund (State Roads) Amendment Rules, 2016 provides that out of the funds allocated for CRIF works, ten *per cent* funds

²⁵ (i) Construction Division No. 1, Amritsar; (ii) Construction Division No. 2, Amritsar; (iii) Provincial Division Amritsar; (iv) Central Works Division No 2, Amritsar; (v) Construction Division Nabha; (vi) Construction Division, Mukerian; (vii) Provincial Division, SBS Nagar; (viii) Provincial Division, Bathinda; (ix) Construction Division, Rupnagar; and (x) Provincial Division, Sangrur.

²⁶ (i) Widening/Strengthening Barnala-Bajakhana Road (ii) Strengthening of Rurki chanarthal road (iii) Strengthening of Machhiwara-Rahon-Nawanshahr Road (iv) Improvement of Nurpurbedi Jhajj (Section Bainsa Nurpurbedi Jhajj (v) Widening/strengthening of Cheema to Jakhepa Ugraha Chhajla to Sunam Lehra road; and (vi) Strengthening and Raising of Gandhi Nagar to Bhalwan via Bhawanigarh Kakra, Gehlon, Sakroudi Rasulpur Channa.

²⁷ Core network means the network comprising of selected State Highways, Major District Roads in the State which have the potential to be upgraded as National Highways.

²⁸ Gandhi Nagar to Bhjalwan via Bhawanigarh kakrasa Kroudi, Gehlan, Rasulpur, Channa and Kheri Chandwan.

²⁹ Khundawali Street, Along Ganda Nallah Street, Tailor street, Chakki Wali Street, Gurudwara street etc.

³⁰ ODR is a road which is constructed to connect the rural area town centers to the Major District Roads of higher importance.

would be earmarked for road safety works³¹ to be executed on State roads other than rural roads. For preparation and furnishing of proposals for road safety, GoP constituted (May 2017) a State Level Executive Committee (SLEC) under the chairmanship of Chief Engineer, PWD (B&R). Further, 391³² black spots were identified³³ (September 2019) in 14 districts of the State.

Audit observed that despite constitution of SLEC and 64 out of 391 black spots on the roads eligible (SH/MDR/ODR) for funding under CRIF for road safety works, no proposal for road safety works was prepared. It was further observed that the number of accidents in the State increased from 6,273 in 2017 to 6,348 in 2019³⁴.

The Chief Engineer (NH) stated (November 2021) that no specific work of rectification of black spots was proposed by the field divisions and circle offices under the CRIF proposals. The reply is not acceptable as it was the SLEC under the chairmanship of the Chief Engineer, PWD (B&R) which was mandated to prepare and furnish proposals for road safety works and not the divisions or the circle offices, and that all the State roads other than rural roads were eligible for funding for road safety works.

(ii) It was also observed that the Department neither earmarked ₹ 46.35 crore (ten *per cent* of GoI's allocation of ₹ 463.48 crore during 2018-21 for road safety works) nor did they utilise ₹ 33.88 crore allocated by GoI in 2016-17. The Chief Engineer stated (November 2021) that funds under CRIF were provided only to the works sanctioned under the scheme by GoI. The reply is not acceptable as the funding for road safety works was not restricted to the works sanctioned under CRIF but all the State roads other than rural roads were eligible for such funding.

(iii) Audit observed that in eight works under six divisions (*Appendix 7.1*) of PWD, though road infrastructure items were allotted to the contractors but the same were not executed, thereby compromising the road safety.

Five EEs stated (August-November 2021) that compliance would be made whereas, the EE, Provincial Division, Sangrur stated (November 2021) that the work was executed as per site condition. The reply of EE Sangrur was not convincing as the work had been completed in September 2020 without executing the allotted road infrastructure items.

³¹ The works on State roads for rectification of identified road accident spots based on road accident or fatality data or the works based on the recommendations of specialised bodies or expert committees set up for this purpose.

³² NH: 264, SH/ODR/MDR: 64, MC/Authority roads: 54, other roads: nine.

³³ Under part-I of "Accident Black Spot identification & Rectification Programme on various Highways/Roads of Punjab-2019", a joint initiative of Punjab Police, Punjab PWD, Transport Department and a private firm covering all 22 districts of Punjab.

³⁴ Data for the year 2020 was not available.

7.3.3 Financial Management

7.3.3.1 Non-release of funds by Central Government due to non-submission of utilisation certificates by the State

One third of the annual allocation for each State is placed at the disposal of concerned executive agency for utilisation against the sanctioned works and subsequent installments are released on the basis of progress of works, actual expenditure and submission of utilisation certificates (UCs).

Audit observed that ₹ 323.62 crore³⁵ (March 2018) were lying un-released with GoI out of previous years' allocations due to delay in submission of UCs to GoI by GoP. These un-released funds increased to ₹ 428.78 crore³⁶ in March 2021.

7.3.3.2 Delay in release of funds by the State to PWD caused extra burden of interest

A per Para 3(ix) of the criteria for allocation of funds for development of State roads under CRIF circulated by the Ministry of Road Transport and Highways' O.M. dated 31 January 2020, the State Government would release CRIF funds received from GoI to the executive agency viz. PWD every quarter within seven days of such release of funds by GoI.

Audit observed that in seven out of ten selected divisions, ₹ 118.30 crore (*Appendix 7.2*) was released by the State Government to the executive agency after a delay ranging between one month and 11 months. Due to delay, ₹ 1.84 crore was paid as interest on contractors' bills in respect of three works under three divisions³⁷ (*Appendix 7.3*).

The CE stated (July 2021) that funds were immediately released to the divisions on receipt from the Finance Department. The Finance Department did not furnish any reply. With regard to payment of interest, the EEs stated (September-October 2021) that interest was paid as per the agreements with the contractors. The replies were not acceptable as the delay in release of central funds inflicted extra burden of interest of ₹ 1.84 crore.

7.3.3.3 Delayed/non-submission of utilisation certificates

Rule 8 (1)(b) of Rule 2014 provides that the executive agency would submit the UCs, quarterly progress report along with monthly expenditure report in prescribed proforma to Ministry of Road Transport and Highways.

³⁵ Against the approved projects of ₹ 557.60 crore (2016-17), ₹ 233.98 crore were released during 2016-18.

³⁶ ₹ 999.44 crore (balance as on 31.3.2018: ₹ 323.62 crore plus cost of approved project during 2018-21: ₹ 675.82 crore) minus ₹ 570.66 crore (amount released by GoI).

³⁷ (i) Construction Division, Rupnagar; ii) Construction Division, Mukerian; and iii) Provincial Division, SBS Nagar.

Audit observed (August to November 2021) that the executive agency submitted only nine UCs to GoI against the required 12 quarterly UCs during 2018-21 that too with delay ranging between 17 and 125 days.

Further, seven out of ten selected divisions submitted UCs to the CE for ₹ 107.73 crore against receipt of ₹ 130.89 crore³⁸ and that too with delay ranging between four and 68 months (*Appendix 7.4*). Two divisions did not submit UCs for ₹ 61.78 crore³⁹, whereas Construction Division No. 2, Amritsar did not furnish information. The responses of EEs and CE for delayed /non/short submission of UCs were awaited (November 2022).

7.3.4 Execution

7.3.4.1 Expenditure on works not covered under CRIF Rules

Rule 7 (2) of CRIF Rules, 2014 provides that only those identified works would be taken up for execution for which GoI has accorded administrative approval (AA) on the basis of details forwarded by the executive agencies. Rule 7(8) provides that revised estimate shall not be considered by GoI.

Audit noticed that three⁴⁰ divisions allotted three roads by adding 10.85 kms of length (*Appendix 7.5*) which was not part of the AA accorded by GoI and incurred ₹ 18.74 crore on this additional length. The EE, Construction Division, Rupnagar stated (October 2021) that the work was executed after obtaining approval from competent authority, whereas, two⁴¹ EEs did not furnish specific reply. The reply of the EE, Rupnagar is not acceptable as the additional length of the road was not covered in the AA. Thus, expenditure of ₹ 18.74 crore incurred on additional length was not covered under CRIF Rules.

7.3.4.2 Irregular enhancement of works after award of tender

Paragraph 6.11 (vi) of PWD Manual of Orders provides for most careful preliminary investigation prior to the framing of a project so as to ensure that the estimate, as complete as possible, is made to avoid excesses over the original and to dispense with the necessity of revising the estimate. The Government of Punjab, Public Works Department instructed (August 2011) all the Chief Engineers/Superintending Engineers/Executive Engineers to ensure that no change in scope of work or specifications involving major increase in cost of the work is allowed after award of the tender.

³⁸ Four divisions submitted UCs of short amount by ₹ 23.16 crore-(i) Construction Division No. 1, Amritsar (₹ 15.10 crore); (ii) Central Works Division No. 2, Amritsar (₹ 3.09 crore); (iii) Provincial Division, Sangrur (₹ 3.53 crore); and (iv) Provincial Division, Amritsar (₹ 1.44 crore).

³⁹ (i) Provincial Division, Bathinda (₹ 32.75 crore) and (ii) Provincial Division, SBS Nagar (₹ 29.03 crore).

⁴⁰ (i) Construction Division, Rupnagar; (ii) Central Works Division No. 2, Amritsar; and (iii) Provincial Division, Sangrur.

⁴¹ (i) Central Works Division No. 2, Amritsar; (ii) Provincial Division, Sangrur.

Audit observed that in five (29 per cent) out of 17 selected works in five divisions, scope of the works was significantly (28 to 40 per cent) enhanced⁴² (**Appendix 7.6**) after allotment in contravention of Paragraph 6.11 (vi) and instructions of August 2011 of GoP which increased the cost of works by ₹ 36.09 crore. In another work of Provincial Division, Sangrur, individual items were increased from 46 to 655 per cent after allotment.

Three EEs⁴³ did not furnish specific replies whereas, three EEs⁴⁴ stated that the change in scope of work was approved by the competent authority. The replies were not acceptable as change in scope of work after award of the tenders was violative of the provisions *ibid* and indicated that the estimates submitted to GoI on the basis of which the works were got approved were not prepared after careful preliminary investigation.

7.3.4.3 Delay in completion/approval of works beyond the time period fixed in CRIF Rules

Rule 7(10) of CRIF Rules, 2014 provides that the period of completion of project should not exceed 24 months unless permitted by GoI. Para 6(5)(x) of the Rules further provides that the proposal of projects to GoI shall include a certificate regarding availability of the entire unencumbered land. Para 7(4) of the Rules provides that the executive agency shall ensure that individual project is technically/financially sanctioned within a period of four months from the date of approval of the work failing which the work would be deemed to have been de-sanctioned.

(i) Seventy five works were completed/in progress during 2018-2021. Audit observed that there were delays ranging between eight and 54 months in 62 out of 75 works. Out of 62, only 37 works were completed that too with delays ranging between eight and 47 months beyond the stipulated date of completion. Out of these 37 works, 22 were delayed beyond 24 months in disregard to Rule 7(10) of CRIF Rules, 2014. Without approval of extension of time beyond 24 months by GoI, the expenditure of ₹ 434.51 crore incurred from CRIF was irregular (**Appendix 7.7**).

(ii) The delay was noticed in five selected works (**Appendix 7.8**) due to non-providing of encumbrance free site to the contractor. Resultantly, price adjustment of ₹ 8.65 crore was paid to the contractors.

(iii) Due to delay in execution of works, secured advance of ₹ 8.47 crore paid to the contractors by four divisions (**Appendix 7.9**) during

⁴² Increase of carriageway width, increase in quantity of embankments, Granular Sub-base, Water Mix Macadam, Dense Grade Bituminous Macadam, Bituminous Concrete, etc.

⁴³ (i) Construction Division No. 2, Amritsar; (ii) Central Works Division No. 2, Amritsar; and (iii) Provincial Division, Amritsar.

⁴⁴ (i) Construction Division No. 1, Amritsar; (ii) Provincial Division, Sangrur; and (iii) Provincial Division, SBS Nagar.

December 2016 to September 2020, the Department could recover (November 2021) ₹ 3.84 crore only, leaving ₹ 4.63 crore unrecovered resulting in blocking of CRIF funds for periods ranging between 23 and 59 months.

(iv) The Department had incurred ₹ 321.29 crore (as of November 2021) on 45 works (**Appendix 7.10**) for which technical sanctions were not accorded by the competent authority within the stipulated period of four months. Six out of these 45 works had not been technically sanctioned as of November 2021 and the Department had incurred ₹ 25.50 crore on these works (**Appendix 7.10 (Sr. Nos. 40 to 45)**). As per CRIF Rules, all these 45 works stood de-sanctioned, thus, expenditure of ₹ 321.29 crore was irregular.

The EEs stated (August - November 2021) that the delay was due to shortage of funds and delay in providing hindrance free land to the contractors. The reply was not acceptable as the Department was required to ensure hindrance free site at the time of sending proposal to GoI. The CE stated (November 2021) that the works were delayed due to administrative reasons and COVID-19. The reply of the CE was not acceptable because 22 works pertaining to 2016-17 were also delayed which pertained to the period prior to COVID-19. With regard to payment of price adjustment, it was stated that price adjustment was paid as per the agreement with the contractors. The reply was not acceptable as the price escalation had to be paid due to delay in completion of the works which in turn was attributed to non-providing of hindrance free site.

7.3.4.4 Non-prioritisation of bridges

Rule 5(2) (a) of the Rules, 2014 provides that while identifying the schemes on the selected stretch, priority should be given to construction of bridges.

Audit noticed that four roads were widened from 3.05/7.00 to 10.00/5.50/5.00 metre after incurring ₹ 105.93 crore out of CRIF (**Appendix 7.11**). However, the Department did not propose widening of narrow bridges falling on these roads to ensure safety of commuters as required under the rule *ibid*.

Two EEs⁴⁵ admitted (September and October 2021) that the proposal for widening of bridges would be made in future. The replies were not acceptable as priority was not given to bridges in the selected roads as required. Response of other two EEs⁴⁶ was awaited.

⁴⁵ (i) Construction Division, Mukerian; and (ii) Construction Division, Rupnagar.

⁴⁶ (i) Construction Division, Nabha; and (ii) Provincial Division, Sangrur.

7.3.4.5 Non/short obtaining of performance security

Performance security of ₹ 1.05 crore was not obtained from the contractor of the work of widening of Amritsar –Sohian –Fatehgarh Churian Road kms 7.00 to 26.68 as required under clause 34.1 of the agreement with the contractor. Whereas in two other cases⁴⁷, performance security of ₹ 1.52 crore was not re-validated (as of November 2021) after expiry thereof in June 2019 and June 2020. The EEs accepted the audit observation (August - November 2021) and stated that requisite action would be taken shortly.

Thus, the EEs had not safeguarded the interest of the State as purpose of the performance security is to ensure rectification of defects during the defect liability period.

7.3.5 Monitoring and Quality Control Mechanism

7.3.5.1 Physical visit of roads

Out of 17 selected roads, Audit physically visited six roads⁴⁸ falling in five divisions and noticed the following deficiencies:

(i) Up-gradation work of Gandhi Nagar to Bhalwan via Bhawanigarh Kakra Sakraudi, Gehlan Rasulpur, Channa and Kheri Chadwan in Sangrur was done in various streets of Bhawanigarh town with interlocking tiles and it runs through the local market and streets. At some reaches, stone metal was scattered and potholes were also visible in some stretches of the road.

(ii) A major road cut was seen (November 2021) at RD 1.500 km of the newly constructed Cheema to Jakhepal to Ugrahan, Chhajla to Sunam-Lehra road in Sangrur district. The road at RD 1.500 km was covered with earth, mud and stones which reduced the width of the road. The sewers in the center of the road had taken shape of potholes which could cause accidents.

(iii) The work upto Dense Graded Bituminous Macadam (DGBM) was completed (November 2019) on Baranala–Bajakhana Road in Bathinda on 27.77 Km⁴⁹ length of the road about two years ago but Bituminous Concrete (BC) was laid only on the length of 6.100 Km. Non-covering of 21.67 kms length of the road with BC caused potholes/undulation and hampering smooth riding.

(iv) At RD 40.00 of Machhiwara-Rahon–SBS Nagar road, a longitudinal cut in a length of about 1,400 metre was made (June 2020) by Punjab Water Supply and Sewerage Board (PWSSB) to construct a Sewerage Treatment Plant without prior permission of PWD which was hampering riding quality of the road. The EE, Provincial Division, SBS Nagar took up (July 2020) the

⁴⁷ (i) Widening and strengthening of Barnala-Bajakhana Road Widening - ₹ 0.96 crore; and (ii) Widening and strengthening of Mukerian-Talwara-Mubarakpur Road - ₹ 0.56 crore.

⁴⁸ Selected on random basis.

⁴⁹ From RD 29.29 km to 58.26 km except RD 32.60 to 33.80 km.

matter with PWSSB for payment for restoration of the damaged road and stated (October 2021) that repair of the road would be done shortly and had received partial funds of ₹ 20 lakh from PWSSB.

(v) From RD 6.000 to 6.400 kms of Rurki to Chanarthal, Nabha interlocking tiles of 80 mm thickness were laid over 150 mm thick layer 'water mix macadam' in full width though the work was allotted with the provision of laying of 'bituminous concrete' which was laid from RD 6.400. Since cement concrete and bituminous layer had no bonding, there was a vertical road line visible at this RD.

(vi) Longitudinal cracks at RD 28.840 kms were found on Nurpur Bedi Jhaji section Bainsa to Nurpur Bedi road in district Rupnagar. Further, between RD 19.930-19.975 kms, the road was constructed with interlocking tiles in width of three meters instead of constructing the road with 'bituminous concrete'. Further, at some reaches, the road was widened upto a width of seven meter and not 10 meter as allotted to the contractors.

7.3.5.2 Non-devising of Quality Assurance system

Para 7(13) of Rule 2014 provides for making a provision of one *per cent* in the estimate for meeting the cost of devising a mechanism of Quality Assurance System (QAS), monitoring of the works by a State Quality Monitor (SQM) and training of the State's officials in quality awareness by the executing agency.

Audit noticed (August-November 2021) that in all the selected works though the executive agency had made a provision of one *per cent* for said purpose but no SQM was appointed as required.

The EEs accepted the facts and assured to take necessary action in future. The Chief Engineer stated (August 2021) that the condition for monitoring of work by SQM was mentioned only in the "in-principal approval" accorded by the Ministry and that there was no such condition in the approval note. The reply of CE was not acceptable as CRIF Rules categorically provide for monitoring of the works by SQM.

7.3.5.3 Non-submission of completion certificates

Audit observed that though 37 works pertaining to 2016-17 and 2018-19 projects were completed during 2018-21 but completion certificates were not submitted to GoI as required under Rule 10(5) of the Rules.

The CE stated (November 2021) that completion of the works was submitted to GoI through progress reports. The reply was not acceptable as progress reports were different from completion certificates and both were required to be submitted separately.

7.3.6 Conclusion

The Department did not prepare core network of roads. The Department did not take any initiative towards road safety under CRIF. Delayed/non-submission of UCs to the Government of India led to non-release of ₹ 428.78 crore of the State's allocation by the Central Government. The State Government delayed release of funds to PWD resulting in payment of interest of ₹ 1.84 crore to the contractors. Delay in completion of the works led to payment of price escalation of ₹ 8.65 crore. State Quality Monitors were not appointed to monitor the works.

7.3.7 Recommendations

The Government/Department may ensure:

- *preparation of the core network of roads and rectification of identified black spots;*
- *availability of encumbrance free sites at the time of submission of proposal under CRIF so as to avoid delay in completion of works and consequent payment of price escalation;*
- *to prepare a complete estimate after careful preliminary investigations to avoid post tender changes; and*
- *appointment of State Quality Monitors to monitor the quality of works as provided in the Rules.*

The matter was referred to Government in January 2022; reply was awaited (November 2022).

TECHNICAL EDUCATION AND INDUSTRIAL TRAINING DEPARTMENT

7.4 Idle expenditure on non-functional building of Industrial Training Institute

Improper planning on the part of the Department in constructing new building to run hospitality courses at Kharar without conducting any feasibility study in the region, resulted into non-utilisation of the newly constructed building for more than 10 years since its completion, rendering the expenditure of ₹ 1.57 crore incurred thereon as idle.

The Ministry of Tourism, Government of India (GoI) sanctioned (February 2009) grant-in-aid of ₹ 2.00 crore to the Tourism Department, Government of Punjab (GoP) for introducing hospitality courses⁵⁰ in the Government Industrial Training Institute, Kharar. Out of the sanctioned

⁵⁰ (i) Food and Beverages (Steward); (ii) Food Production; (iii) Front Office; and (iv) Housekeeping.

amount of ₹ 2.00 crore, ₹ 1.00 crore was to be incurred towards improvements, alterations and modifications of the existing physical infrastructure; and the balance ₹ 1.00 crore for purchase of heavy and small equipment, furniture and fixtures. The GoI released (2008-2015) ₹ 1.80 crore⁵¹, which was transferred to the Department of Technical Education and Industrial Training, GoP (Department) between May 2009 and March 2015 for the purpose.

Test-check (March 2021) of records for the period September 2015-January 2021 in respect of the Government Industrial Training Institute (Women) (ITI-W), Kharar, revealed that the Department entrusted (March 2009) to the Punjab Urban Development Authority (PUDA) the work of construction of new ITI building at village Radiala, Kharar on the land donated by the village panchayat of Radiala (instead of improvements and alterations/modifications of the existing physical infrastructure). Accordingly, the work of construction of ITI building was awarded in January 2010, which was completed in May 2011 at a cost of ₹ 1.57 crore⁵² and the Headmistress, ITI-W, Kharar took the possession of the building in March 2012. Further, due to delay in finalisation of tenders, the Department spent (February-November 2016) ₹ 0.70 crore on procurement of equipment, furniture and fixtures required for the hospitality courses and on other miscellaneous expenses⁵³. However, considering the smaller scope and popularity of the hospitality courses in Kharar, the equipment, furniture and fixtures amounting to ₹ 0.41 crore were transferred (August 2016) to the Government ITI (Ranjit Avenue), Amritsar, where these courses were being conducted successfully.

Audit observed that in the meantime, the Department had decided (August 2013) to shift the existing ITI-W to the newly constructed building. But, despite having possession of the completed building, the existing ITI-W, Kharar was not shifted to the new location due to safety concerns of the girl students, as the building



Non-functional newly constructed building of Government ITI, Kharar (24 January 2022)

⁵¹ ₹ 0.05 crore in February 2009 and ₹ 0.95 crore in March 2010 for civil works; and ₹ 0.80 crore during 2014-15 for equipment, furniture and fixtures.

⁵² ₹ 1.00 crore from the funds provided by the Ministry of Tourism, GoI; ₹ 0.40 crore diverted from another GoI scheme for Upgradation of Government ITIs in the State into Centres of Excellence through Public Private Partnership; and remaining ₹ 0.17 crore from State budget.

⁵³ Advertisement charges; transportation charges, head office expenses, etc.

had been constructed at an isolated place having negligible transport facilities, as per the Headmistress, ITI-W and the village panchayat of Radiala. Further, a private company approached (February 2018) the ITI-W/Department to utilise this building by running other technical/skill development courses⁵⁴ free of cost in collaboration with the Punjab Skill Development Mission. But the deal could not mature and the company ultimately expressed its inability to commence the skill centre in the said building (September 2021).

Thus, improper planning on the part of the Department in constructing new building to run hospitality courses at Kharar without conducting any feasibility study in the region, resulted into non-utilisation of the newly constructed building for more than 10 years of its completion (March 2022), rendering the expenditure of ₹ 1.57 crore incurred thereon as idle.

Giving the reasons for non-utilisation of the said building, the Department stated (March 2022) that the related records were shifted to the Punjab Skill Development Mission and the matter was under consideration with them. Further reply of the Department was awaited (November 2022).

Recommendation: The State Government may make strenuous efforts for optimal utilisation of the newly constructed building at Kharar; and ensure conducting proper feasibility study on relevance prior to commencing works of new constructions in future, with a view to prevent recurrence of such cases of non-utilisation of newly constructed buildings.

The matter was referred to Government in February 2022; reply was awaited (November 2022).

7.5 Unjustified expenditure on purchase of desks/chairs in excess of immediate requirement

Procurement of 2,268 two-seater desks/chairs in excess of immediate requirement, even before completion of civil work of the polytechnic buildings, in contravention of the Punjab Financial Rules, rendered the expenditure of ₹ 1.39 crore thereon unjustified.

Rule 15.2(b) of the Punjab Financial Rules (Volume-I) provides that purchases must be made in the most economical manner; in accordance with the definite requirements of the public service. At the same time, care should be taken not to purchase stores much in advance of actual requirements, if such purchases are likely to prove unprofitable to Government.

With a view to stimulate the growth of polytechnics in the country, Ministry of Human Resource Development (MHRD), Government of India (GoI)

⁵⁴ Tractor Mechanic; Tractor Assembly; Automobile Painting; Machine shop training; and Two-wheeler and Three-wheeler repair (3 months each).

launched (2009-10) a Scheme – ‘Sub-mission on Polytechnics’ under the coordinated action for skill development and decided to set up new polytechnics in unserved and underserved districts of India. Under the Scheme, one-time financial assistance was to be provided to the State Governments, limited to ₹ 12.30 crore per polytechnic, to meet the non-recurring costs (Civil Works: ₹ 8.00 crore and Machinery and Equipment (M&E): ₹ 4.30 crore). The State Government was to provide land required as per All India Council for Technical Education (AICTE) norms, free of cost; to meet any additional requirement of non-recurring expenditure; and also bear all the recurring expenditure of the polytechnics.

Test-check of records (January 2017) of the Director, Technical Education and Industrial Training, Punjab (Department) and subsequent information collected up to June 2021 revealed that seven districts⁵⁵ were identified (July and September 2009) in the State of Punjab for setting up of new polytechnics under the Scheme. Accordingly, GoI released Central assistance of ₹ 70 crore (₹ 56 crore for civil works and ₹ 14 crore for M&E) between July 2009 and June 2011⁵⁶, leaving a balance of ₹ 16.10 crore for the purpose.

The Chief Engineer (Buildings), Public Works Department, Punjab worked out (November-December 2009) the estimated cost of civil works for all seven polytechnics at ₹ 130.41 crore (₹ 18.63 crore per polytechnic) for construction of four storeys of main building and workshop, to meet AICTE norms. However, the Department commenced (January-February 2010) with the construction work of single-storey (with foundation for additional three storeys) and the workshop for seven polytechnics with the available funds of ₹ 56.00 crore (i.e. ₹ 8.00 crore per polytechnic), which was completed by the year 2013-14 at a cost of ₹ 59.43 crore⁵⁷.

In the meantime, the Department notified (November 2011) five courses with annual intake of 60 students per course per polytechnic. However, AICTE, taking into account the available infrastructure, approved (November 2012) only two courses with annual intake of 60 students per course per polytechnic with effect from session 2012-13, initially in mentor institutes (second shift) for two years, and thereafter, in newly constructed polytechnics. The requirement of funds for the civil works of remaining storeys escalated to ₹ 115.29 crore by October 2015 due to time overrun. However, the polytechnics remained incomplete (May 2022) for want of additional funds

⁵⁵ (i) Barnala; (ii) Faridkot; (iii) Fatehgarh Sahib; (iv) Kapurthala; (v) Mansa; (vi) Sri Muktsar Sahib; and (vii) Nawanshahr (SBS Nagar).

⁵⁶ 2009-10: ₹ 14 crore; 2010-11: ₹ 35 crore; and 2011-12: ₹ 21 crore.

⁵⁷ GoI: ₹ 56.00 crore; State Government: ₹ 2.45 crore (₹ 1.00 crore in 2015-16 and ₹ 1.45 crore in 2019-20); and Punjab State Board of Technical Education and Industrial Training: ₹ 0.98 crore during 2015-16 for making pending payments in connection with construction of the polytechnics.

from GoP and the polytechnics continued to run two⁵⁸ courses with annual sanctioned intake of 15-60 students per course from the partially constructed buildings. Further, observing the construction not being done as per AICTE norms and not providing the undertaking by the State/Department regarding further construction of polytechnics, GoI did not release balance funds of ₹ 16.10. crore⁵⁹; rather asked (November 2016) the Department to refund the already released Central assistance of ₹ 70.00 crore along with interest, if any. Subsequent action of the Department was awaited (November 2022).

Knowing the fact that without completion of civil works as per AICTE norms, the polytechnics cannot run to full capacity (five courses with annual intake of 60 students) and without obtaining even the assurance of the Finance Department to provide adequate funds for completion of civil works, the Department had placed (March 2014) supply order for supply of 3,780 two-seater desks/chairs at a cost of ₹ 2.31 crore against maximum requirement of 1,512 two-seater desks/chairs⁶⁰. The ordered desks/chairs were received (March-April 2014) by each of seven polytechnics at the rate of 540 two-seaters. However, the excess number of 2,268 desks/chairs costing ₹ 1.39 crore were either lying idle or being used for unintended purposes in seven polytechnics for more than eight years (May 2022); condition of which would deteriorate with the passage of time.

The Deputy Director stated (March 2022) that the dual desks were being utilised for the intended purpose i.e. seating students for classes and examination hall. It was added that in Government Polytechnic College, Bareta (Mansa) where admissions were far less than the sanctioned intake, 200 desks were shifted to Government Polytechnic, Bathinda for optimum utilisation. The reply of the Department was not acceptable as Audit did not find any separate examination hall in seven polytechnics and the examination was being conducted in the classrooms itself. Further, the information on utilisation of desk/chairs provided (April 2022) by the polytechnics was vague and the Government Polytechnic College, Bathinda where 200 desks were shifted was not part of the Scheme *ibid*. It was further noticed that even the sanctioned desks/chairs capacity was not being utilised fully, as on an average, 6-56 students⁶¹ were admitted in two courses in these polytechnics during the three years' period (2019-2022).

⁵⁸ Though the Government Polytechnic Colleges (GPC) at Kotkapura (Faridkot) and Fatuhi Khera (Sri Muktsar Sahib) got approval for four and five courses respectively during 2013-14, only 0-7 students were admitted in four courses at GPC, Kotkapura; and in case of GPC, Fatuhi Khera, only two courses could be run due to lack of infrastructure.

⁵⁹ ₹ 86.10 crore (@ ₹ 12.30 crore per polytechnic) minus ₹ 70.00 crore released by GoI.

⁶⁰ Maximum intake of 144 students at the rate of 60+12 students per course (additional 20% admission of sanctioned seats was done under Lateral Entry Entrance Test Scheme) for three years =432 students per polytechnic. For seven polytechnic = (432 x 7)/2 = 1,512 two-seater desks/chairs.

⁶¹ Badbar, Barnala: (33-56 students); (ii) Kotkapura, Faridkot (14-41 students); (iii) Ranwan, Fatehgarh Sahib (23-47 students); (iv) Begowal, Kapurthala (9-22 students); (v) Bareta, Mansa (6-21 students); (vi) Fatuhi Khera, Sri Muktsar Sahib (12-19 students); and (vii) Behram, SBS Nagar (15-21 students).

Thus, 2,268 two-seater desks/chairs were procured in excess of immediate requirement, even before completion of civil works of the polytechnic buildings, in contravention of the codal provisions *ibid*, thereby rendering the expenditure of ₹ 1.39 crore thereon unjustified.

Recommendation: The State Government may consider providing adequate funds to complete the remaining civil works of the polytechnic buildings to run requisite courses and to utilise the excess number of two-seater desks/chairs optimally, besides adhering to the codal provisions for not procuring stores much in advance of actual requirement.

The matter was referred to Government in June 2020; reply was awaited (November 2022).

7.6 Suspected misappropriation of Government money

Failure of Drawing and Disbursing Officer to observe codal provisions thereby compromising the internal control mechanism, facilitated suspected misappropriation of Government money amounting to ₹ 2.58 lakh. The amount was deposited in the Government account by the official concerned after being pointed out by Audit.

Rule 2.2 read with Rule 2.4 of Punjab Financial Rules (PFR), Volume-I provides that 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. 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, the utilisation of which towards expenditure is strictly prohibited under the Punjab Treasury Rules, are credited into the treasury on the same day or on the morning of the next day at the latest. When Government money in the custody of a Government officer are paid into the Treasury or the Bank, the head of the office making such payments should compare the Treasury Officer's or the Bank's Receipt on the challan or his pass book with the entry in the cash book before attesting it, and satisfy himself that the amounts have been actually credited into the Treasury or the Bank. By the 15th of every month, he should obtain from the Treasury a consolidated receipt for all remittances made during the previous month, which should be compared with the postings in the cash book.

Audit of records for the period July 2013 to July 2021 of the Principal, Government Polytechnic College for Girls, Jalandhar (College) revealed (August 2021) that the College deposited (July 2013-July 2021) receipts amounting to ₹ 8.16 crore on account of tuition fees, fines, rent, interest

accrued in Savings Bank account⁶², etc. into Government account. During examination of cash book, records relating to receipts, list of deposits/remittances of the College with the Consolidated Treasury Receipts (CTR) statement, it was noticed that an amount of ₹ 2,56,300/- on account of tuition fees collected (9 January 2018 - 22 January 2018) from the students, though shown in the cash book as deposited into Government account on 24 January 2018, was actually not found deposited in Government treasury, as per the CTR. Further, receipts on account of room rent amounting to ₹ 3,600/- collected on 01 August 2017 though was taken into the cash book, was actually accounted for ₹ 2,400/-, thereby resulting into short deposit of ₹ 1,200/- into Government account. The Principal of the College, holding the charge of Drawing and Disbursing Officer (DDO), while signing the cash book neither ensured credit of all Government receipts into Government account nor did he make proper reconciliation of the amounts entered in the cash book with records of the treasury.

On this being pointed out (16 August 2021) in audit, the Principal stated (September 2021) that the due amount (₹ 2,57,500/-) had been deposited (17 August 2021) into Government account by the then Cashier of his own and the matter had been brought to the notice of higher authority. Further action/reply of the Department was awaited (November 2022).

Thus, failure of the DDO to adhere to codal provisions, *ibid*, thereby compromising the internal control mechanism, facilitated suspected misappropriation of Government money amounting to ₹ 2.58 lakh, though the due amount had been recovered from the official concerned after being pointed out by Audit.

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

The matter was referred to Government in November 2021; reply was awaited (November 2022).

⁶² Savings Bank (SB) Account No. 31493428240 in the State Bank of India, Jalandhar being operated in the name of the Principal, Government Polytechnic College for Girls, Jalandhar in respect of Government of India Scheme of Community Development through Polytechnics. The receipts were being realised in cash and deposited in the SB Account prior to their remittance into Government account.

WATER RESOURCES DEPARTMENT

7.7 Idle expenditure

Failure of the Department to settle inevitable liability of electricity dues and providing hindrance-free site resulted into denial of irrigation facilities to 2,183 hectares of land due to unutilised/remaining incomplete works of distributaries and distribution system. The expenditure of ₹ 29.07 crore incurred on the works remained idle as beneficiaries were deprived of the irrigation facilities.

Para 2.92 of the Public Works Department (PWD) Code provides that no work should be commenced on a land which has not been duly made over by the responsible civil officer. As per Clause 22 of agreements executed by the Water Resources Department (Department) with contractors, it is incumbent upon the Department to hand over possession of encumbrance free site to the contractors to enable them to execute the work. Further, para 2.10(b)(3) of Punjab Financial Rules states that all charges incurred are drawn and paid at once and are not held up for want of funds and allowed to stand over to be paid from the grant of another year. Money indisputably payable should not, as far as possible, be left unpaid and that all inevitable payments are ascertained and liquidated at the earliest possible date.

The Chief Engineer, Kandi Area Development, Water Resources Department, Punjab, technically sanctioned four estimates⁶³ of ₹ 28.33 crore between November 2010 and April 2016 for construction of two distributaries⁶⁴ on Naru Nangal⁶⁵ Lift Irrigation Scheme (LIS)⁶⁶ by laying underground pipelines (underground distributaries) and distribution systems⁶⁷ of these distributaries with an objective to provide irrigation facility to 2,183 hectares of land of 21 villages falling under Kandi area⁶⁸ of two districts⁶⁹. For construction of distributaries, Asbestos Cement pressure pipes (AC pipes) were to be provided by the Department. These estimates were revised (between June 2012 and

⁶³ (i) Construction of Naru Nangal distributary off taking RD 1925 -₹ 8.96 crore in November 2010; (ii) Construction of Naru Nangal distributary off taking RD 3197 -₹ 12.56 crore in March 2011; (iii) Construction of distribution system at RD 1925-₹ 2.66 crore in April 2016; and (iv) Construction of distribution system at RD 3197 -₹ 4.15 crore in April 2015.

⁶⁴ RD 1925 and 3197.

⁶⁵ Naru Nangal is a distributary that takes off from RD 65693 Meter/Left side of Kandi Canal stage-II.

⁶⁶ Lift irrigation is a method of irrigation in which water is not transported by natural flow (as in gravity-fed canal) but is lifted with pumps or surge pools, etc.

⁶⁷ The systems were to be used for supplying the water of distributaries to the farmers.

⁶⁸ The sub-mountainous or semi-hilly area near the Shivalik foothills is locally called as Kandi area.

⁶⁹ Hoshiarpur and SBS Nagar.

November 2016) from ₹ 28.33 crore to ₹ 31.26 crore⁷⁰ due to higher tender rates, variation in quantity of AC pipes to be laid and site conditions.

Audit observed (March 2020) from the records maintained in the office of the Executive Engineer, Investigation Division (IB), Hoshiarpur (EE) that tenders were floated (July 2012) for the works of construction of underground distributaries and EE awarded (December 2012) the works to contractor 'A' at a cost of ₹ 2.31 crore⁷¹ which were due to be completed in April 2013. The works of underground distributaries were completed (March 2016) at a cost of ₹ 21.98 crore⁷² with a delay of three years due to delay in obtaining clearances from the Forest Department and the PWD and non-availability of land due to standing crops of farmer.

Further, EE also awarded the works of two distribution systems⁷³ of the above distributaries to another contractor 'B' (October 2015 and May 2016) at a cost of ₹ 8.40 crore⁷⁴ which were due to be completed in July and August 2016 respectively. The distribution system at RD 3197 was completed by the contractor 'B' (October 2016) and payment of ₹ 4.22 crore was made there against. However, the distribution system at RD 1925 was completed to the extent of 85 per cent only after incurring ₹ 2.87 crore (February 2017). The work was not completed due to standing crops in the field and therefore the scheduled date of completion was extended upto June 2017 without imposing any liquidity damages as the delay was attributed to the Department.

Meanwhile, a criminal proceeding was initiated, and FIR was lodged (August 2017) by Vigilance Bureau, Punjab against the contractor 'B' due to complaints regarding transparency in tender process, escalating prices, etc. The contractor surrendered (December 2017) before investigating agency and remained in judicial custody till May 2019. The Superintending Engineer, Kandi Canal Circle, Hoshiarpur (SE) terminated (April 2019) the contract of distribution system at RD 1925 as a fundamental breach of agreement⁷⁵. Against the termination order, contractor 'B' filed appeal (December 2019) before the Disputes Resolution Mechanism (DRM)-cum-SE. The DRM set aside (February 2020) the termination order and advised the Department to

⁷⁰ (i) Construction of Naru Nangal distributary off taking RD 1925-₹ 9.39 crore in June 2012; (ii) Construction of Naru Nangal distributary off taking RD 3197-₹ 13.01 crore in June 2012; (iii) Construction of distribution system at RD 1925-₹ 3.46 crore in November 2016; and (iv) Construction of distribution system at RD 3197-₹ 5.40 crore.

⁷¹ RD 1925 M of stage-I of ₹ 1.13 crore and 3197 of stage-II of ₹ 1.18 crore.

⁷² (A) Contractor payment-₹ 2.38 crore (B) Cost of AC pipes consumed-₹ 19.60 crore.

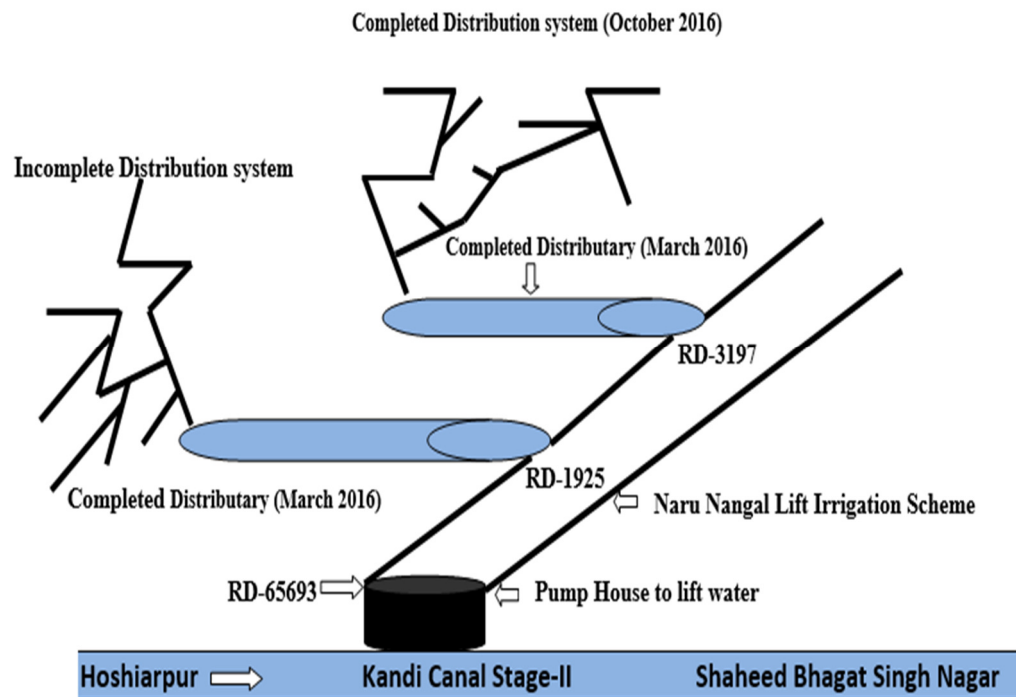
⁷³ (i) for Distributary of RD 1925; and (ii) for Distributary of RD 3197.

⁷⁴ RD 1925: ₹ 3.26 crore (May 2016) - to be completed within 90 days; and RD 3197: ₹ 5.14 crore (October 2015) - to be completed within 300 days.

⁷⁵ Clause 55 of the agreement.

approve time extension, make available the hindrance free land for the execution of the balance work, testing of system and rectifying defects and deficiencies. The Department again failed to provide hindrance free site even on revival of the contract and therefore time extension was allowed up to 28 February 2021. The work of distribution system at RD 1925 remained incomplete with physical progress of 85 per cent (September 2021) and the contract was not extended (November 2021) after February 2021.

It was further noticed that despite completion of three works⁷⁶ (up to October 2016) of Naru Nangal LIS, the Department failed to get the pipelines tested for releasing water till September 2021 due to non-availability of power supply as the Punjab State Power Corporation Limited (PSPCL) discontinued power supply (July 2017) due to pendency of electricity bills amounting to ₹ 0.83 crore (September 2021) and non-completion of distribution system at RD 1925. A diagrammatic representation of completed/not completed works is shown below:



The EE replied (September 2021) that testing of pipelines was not done as the electricity supply was stopped by PSPCL due to pending dues and the matter was taken up (between February 2019 and August 2020) with higher authority but no funds were provided to settle the liability of electricity dues and reply regarding non-completion of distribution system at RD 1925 was not provided. Further, it was also replied (May 2022) by EE that despite

⁷⁶ (i) Underground Distributary at RD 1925 (ii) Underground Distributary at RD 3197 and (iii) Distribution system of Distributary-RD 3197.

completion of Distributary and distribution system at RD 3197, the site was not handed over by the contractor and Department was not in a position to conduct testing of pipes. Reply of the Department was not acceptable as it failed to get the pipes tested for releasing water even after a lapse of five years from the date of completion of three works and also failed to get completed the remaining work of distribution system at RD 1925 due to non-providing of hindrance free site to the contractor.

Thus, failure of the Department to settle inevitable liability of electricity dues and providing hindrance free site resulted into denial of irrigation facility to the 2,183 hectares of land due to unutilised/remaining incomplete works of distributaries and distribution system (as depicted in diagram above). Therefore, the expenditure of ₹ 29.07 crore⁷⁷ incurred on the works remained idle as beneficiaries were deprived of irrigation facilities.

Recommendation: The Department should ensure the availability of hindrance free site before start of work and settle inevitable liability for smooth completion of project and to avail intended benefit.

The matter was referred to Government in March 2021; reply was awaited (November 2022).

WATER RESOURCES AND FINANCE DEPARTMENTS

7.8 Avoidable payment of interest and compensation

The Department allotted the work prior to settlement of interstate dispute and inflicted burden of ₹ 32.87 crore on the State exchequer on account of payment of compensation to the contractor for idle wages of men and idle charges of machinery during the period of stoppage of work. The delay in payment of contractor's bills beyond the stipulated dates and injudicious levy and recovery of liquidated damages and thereafter delayed refund thereof led to avoidable payment of interest of ₹ 4.08 crore which included excess payment of interest of ₹ 7.51 lakh made against the provision of agreement.

Para 2.92 of Public Works Department (PWD) Code provides that no work should be commenced on a land which has not been duly made over by the responsible civil officer. Rule 2.10 (b) (3) of Punjab Financial Rules (PFR) provides that money indisputably payable should not, as far as possible, be left unpaid; and that all inevitable payments are ascertained and liquidated at the

⁷⁷ (i) Distributaries at RD 3197 and RD 1925: ₹ 21.98 crore (works completed); (ii) Distribution system of RD 3197: ₹ 4.22 crore (work completed); and (iii) Distribution system of RD 1925: ₹ 2.87 crore (work not completed).

earliest possible date. As per clauses 42 and 43.1 of the agreement⁷⁸, the Engineer shall check the monthly statements of contractor within 14 days and decide the payable amount to the contractor for work done, the employer⁷⁹ shall pay the contractor amounts certified by the Engineer within 28 days of the date of each certificate. If the employer makes a late payment, the contractor shall be paid interest⁸⁰ on the late payment in the next payment. Further, clause 44.1 read with 44.2 of the agreement states that if compensation events⁸¹ occur and it would cause additional cost or would prevent the work being completed before the intended completion date, the Engineer shall decide whether and by how much the contract price as well as intended completion date shall be increased/extended.

In order to enhance their irrigation and power potential, States of Punjab and Jammu & Kashmir (J&K) signed (January 1979) an agreement to build Shahpur Kandi Dam (SPKD) on Ravi River and the land was to be provided by both States. The SPKD project was not completed due to paucity of funds. Further, Government of India declared (February 2008) SPKD as a 'National Project'⁸². Meanwhile, J&K Government decided (May 2012) to construct its own canal system to feed water for Ravi canal due to prolonged delay in construction of SPKD and was not interested in leasing out land for SPKD.

Test check of records (July 2021) of the Financial Advisor & Chief Accounts Officer (FA&CAO), SPKD Project Shahpur Kandi showed that though the dispute regarding leasing out of land existed since May 2012, yet the Chief Engineer, SPKD Project (CE) entered (February 2013) into an agreement with a contractor for execution of the work "Construction of main dam comprising overflow section and non-overflow sections, Head Regulator of Shahpur Kandi Hydrel Channel (Balance work) of Ravi Canal of SPKD" at a cost of ₹ 687.51 crore which was due to be completed in September 2016. The work was started in March 2013 but was stopped on 30 August 2014 after intervention of J&K and the project remained suspended for a period of 50 months from 31 August 2014 to 31 October 2018⁸³, however, the contractor continued the execution of work in Punjab territory during this period.

⁷⁸ The agreement executed between Department of Water Resources and the contractor in February 2013.

⁷⁹ Chief Engineer, Shahpur Kandi Dam Project is the Employer as per Agreement.

⁸⁰ Interest shall be calculated from the date by which the payment should have been made up to the date when the late payment is made at six *per cent* per annum if any payment is delayed after a period of 90 days.

⁸¹ (a) The Engineer does not give access to a part of the site by the site possession dates.
(b) The Engineer orders a delay or does not issue/approve drawings, specifications or instructions required for execution of work on time.

⁸² Under which the Government of India provides 90 *per cent* of the cost of the irrigation component as Central grant.

⁸³ The dispute of leasing out the land was resolved in September 2018 with J&K.

Due to prolongation of contract, some disputes occurred between the Department and the contractor and as a result the department had to pay an amount of ₹ 36.95 crore on account of compensation and interest on late payment as discussed below:

(i) The contractor raised claims on account of idle wages of men and idle charges of machinery. The CE constituted (December 2015) a Committee⁸⁴ for finalisation of rates of idle wages of men and idle charges of machinery. The CE, on the basis of interim report of the Committee, accorded (November 2020) approval for release of ₹ 41.74 crore⁸⁵ as compensation to the contractor on account of idle wages of men and idle charges of machinery for the stoppage period (from August 2014 to October 2018) of project. Of ₹ 41.74 crore, the FA&CAO paid (January 2021) ₹ 32.87 crore⁸⁶ and the balance amount of ₹ 8.87 crore was kept pending due to paucity of funds.

(ii) The contractor submitted payment claims (between July 2013 and November 2018) against the execution of work through 'Interim Payment Certificates' (IPCs). The payments against the contractor's IPCs were delayed for periods ranging between 08 and 1,466 days beyond the period of 42 days⁸⁷. As a result of delay, the contractor further claimed ₹ 3.41 crore on account of six *per cent* interest on delayed payments against which ₹ 3.37 crore was paid in March 2020 under the provision of agreement. It was further observed that out of ₹ 3.37 crore an amount of ₹ 7.51 lakh against the IPCs one and two was paid in excess⁸⁸ within periods of 53 to 87 days beyond 42 days after becoming due whereas no interest was payable for delay up to 90 days.

(iii) It was noticed (January 2021) that the Department levied and recovered (between May and August 2014) Liquidated Damages (LD) of ₹ 4.58 crore from the contractor's due payments on account of non-achievement of first⁸⁹ milestone of the work under the clause 49.1 of the agreement. The aggrieved contractor approached (July 2016) the Dispute Review Board (DRB) against the Department. The DRB decided (28 August 2016) the case in favour of the contractor due to various reasons⁹⁰

⁸⁴ Under chairmanship of the Superintending Engineer, SPK Dam Circle and having three other members of SPK Dam Project besides one representative of the contractor.

⁸⁵ (i) Idle wages - ₹ 10.99 crore, (ii) Idle Charges of machineries - ₹ 27.66 crore and (iii) GST - ₹ 3.09 crore.

⁸⁶ ₹ 17.87 crore vide voucher No. 56 dated 27 January 2021 and ₹ 15.00 crore vide voucher No. 38 dated 18 January 2021.

⁸⁷ Fourteen days for certification of payment by the Engineer and 28 days thereafter for making payment as per clause 42 and 43.1 of the agreement.

⁸⁸ As per clause 43.1 of the agreement, interest was not payable on these IPC as their payment was not delayed beyond 90 days.

⁸⁹ Execution of seven *per cent* of the value of the work within 09 months from the date of start i.e. upto 27 December 2013.

⁹⁰ The layout of divide walls in the stilling basin was finalised on 21 January 2014 (after lapse of the last date of achieving first milestone viz. 27 December 2013) and drawings were finally approved on 30 June 2014.

that the contractor was entitled to refund of LD as deducted within 30 days of the date of the decision without any interest and in case the payment is not made within 30 days, an interest of six *per cent* shall be paid thereafter. The Department delayed⁹¹ the refund (23 January 2019) beyond 30 days and had to pay (June 2019) interest of ₹ 71.41 lakh⁹² as per the orders of DRB.

The FA&CAO stated (July 2021) that the work was taken up in March 2013 after concurrence of J&K Government. In support of concurrence of J&K Government, the FA&CAO enclosed a copy of minutes of meeting dated 25 February 2010 of 'Committee of Secretaries' held at New Delhi. The reply is not acceptable as J&K Government categorically made it clear (May 2012) that J&K wanted to construct its own canal system to feed water for Ravi canal and was not interested in leasing out land for SPKD project and the CE allotted the work in March 2013 i.e. during pendency of the dispute.

In respect of non-making payment within time, the FA&CAO stated (July 2021) that due to non-availability of the funds during the suspended period⁹³ of 50 months, there was a delay in making payment to the agency. The reply is not acceptable as the work was suspended due to dispute with the J&K Government and was in the knowledge of the Department since May 2012 viz. prior to start of the work and once the Department entered into contract agreement with the contractor, it was their contractual obligation to make timely payments of contractor's dues. With regard to the excess payment of ₹ 7.51 lakh, the EE concerned stated (February 2022) that interest had been paid to the agency on account of delay in payment from the 43rd day after submission of bill by the contractor and no such payment had been made to the agency for a delay of less than 90 days. The reply is not acceptable as the payments of IPC one and two were made within 90 days of their becoming due but interest of ₹ 7.51 lakh was paid on account of delay in payment of these IPCs.

Thus, commencement of work prior to settlement of interstate dispute inflicted burden of ₹ 32.87 crore on the State exchequer on account of payment of compensation to the contractor for idle wages of men and idle charges of machinery during the period of stoppage of work. The delay in payment of contractor's bills beyond the stipulated dates and injudicious levy and recovery of LD and thereafter delayed refund thereof as per decision of the DRB led to payment of interest of ₹ 4.08 crore which was avoidable had the payments been made within the stipulated time which included excess payment of interest of ₹ 7.51 lakh that was made against the provision of agreement.

⁹¹ Refunded on 23 January 2019 against the due date of 27 September 2016.

⁹² Interest paid on ₹ 4.58 crore for 847 days (from 28 September 2016 to 22 January 2019).

⁹³ From 31 August 2014 to 31 October 2018.

Recommendation: The Department should ensure compliance of all the obligations of the agreement to avoid making extra payments and ensure economy.

The mater was referred to Government in January 2022; reply was awaited (November 2022).

Revenue Departments

EXCISE AND TAXATION DEPARTMENT

7.9 Irregular exemption/concession of tax

Assessing Authorities in Assistant Commissioners of State Tax Fatehgarh Sahib and Ludhiana-I allowed irregular exemption/concession of central sales tax of ₹ 0.24 crore on the basis of two ‘C’ forms and two ‘E-2’ forms which were not obtained from the prescribed authority of the state concerned.

Scrutiny of records of two⁹⁴ Assistant Commissioners of State Tax (ACSTs) relating to VAT showed that the Assessing Authorities allowed exemption/concession from Central Sales Tax (CST) without ensuring genuineness of ‘C’ and ‘E-2’ forms as detailed in the paragraphs (a) and (b).

(a) Concession of Central Sales Tax

Section 8(4) of the CST Act 1956 read with Rule 12(1) of CST (Registration and Turnover) Rules 1957, provides that the concessional rate of tax of two *per cent* shall not be admissible unless the selling dealer furnishes a declaration in Form ‘C’ duly filled in and signed by the registered dealer to whom the goods are sold, in a prescribed form obtained from the prescribed authority.

Scrutiny of the records in ACST Ludhiana-I revealed that the Assessing Authority while assessing (August 2019) the case of a dealer for the year 2015-16, allowed concessional rate of CST of two *per cent* on interstate sale of goods worth ₹ 6.71 crore on the basis of 10 ‘C’ forms. Out of these 10 ‘C’ forms, the correctness of details of five ‘C’ forms was verified by the audit through Tax Information Exchange System (TINXSYS⁹⁵) and verification report in respect of two ‘C’ forms was awaited from Uttar Pradesh. Remaining three ‘C’ forms, stated to have been issued by Excise and Taxation Department, UT Chandigarh, were verified from the issuing authority and it was found that two ‘C’ forms covering goods worth ₹ 1.42 crore were not

⁹⁴ Ludhiana-I and Fatehgarh Sahib.

⁹⁵ Tax Information Exchange System (TINXSYS) is online facility for tracking of inter-State transactions.

issued by the Taxation Department of UT Chandigarh, hence were not genuine. The Assessing Authority allowed the concession without ensuring that the forms were genuine. CST of ₹ 0.20 crore⁹⁶ was leviable on the goods at normal rate of tax, whereas CST of ₹ 0.03 crore was levied. This resulted in irregular allowance of concessional rate of tax of ₹ 0.17 crore (*Appendix 7.12*).

The matter was reported to the Department/Government between May and September 2021. The Government replied (September 2021) that a letter was sent to Excise and Taxation Department U.T. Chandigarh for verification of above statutory forms. In response, a letter stating that those forms were genuine, was received by them. Audit had received similar reply from the ACST Ludhiana-I. The ACST had also supplied copy of letter bearing No. 5881 dated 18 May 2021 stated to have been issued by Excise and Taxation Department, U.T. Chandigarh, wherein the 'C' Forms in question were told to be genuine. Audit took up re-verification process with the Excise and Taxation Department, U.T. Chandigarh, which reiterated that 'C' forms in question were not issued by them. Further, their office had not received any letter from the ACST Ludhiana-I for verification of 'C' Forms. Excise and Taxation Department U.T. Chandigarh also informed that letter No. 5881 dated 18 May 2021 supplied by Punjab Taxation Department was not issued by them and the said letter was forged, fraudulent and fabricated one.

(b) Exemption from Central Sales Tax

Section 6(2) of the CST Act 1956 read with the Rules 12(1) and 12(4) of the CST (Registration and Turnover) Rules 1957, provides that during movement of goods occasioned due to an inter-state sale, any subsequent sale (sale-in-transit) effected by transfer of documents of title to such goods to a registered dealer shall not be exempt from tax unless the dealer making such subsequent sale furnishes to the prescribed authority (a) Form 'E-1' or 'E-2', as the case may be, obtained from the person from whom the goods were purchased inter-state and (b) Form 'C' from the registered person to whom subsequent sale was made during the movement of the goods.

Scrutiny of records in Assistant Commissioner of State Tax (ACST) Fatehgarh Sahib, revealed that the Assessing Authority, while assessing (November 2019) the case of a dealer for the year 2012-13, allowed exemption from CST on transit sale of ₹ 3.58 crore on the basis of four⁹⁷ 'E-2' forms. The 'E-2' forms were supplied by a dealer under ACST Amritsar-I. Audit got these 'E-2' forms verified from issuing authority (ACST Amritsar-I) to ascertain the genuineness of the forms. On cross verification from the issuing authority, it was found that two⁹⁸ out of four 'E-2' forms, covering

⁹⁶ ₹ 1,41,87,239 x 14.30 per cent = ₹ 20,28,775.

⁹⁷ Form No. 255474, 80885, 80886 and 855476.

⁹⁸ Form No. 255474 and 855476.

goods worth ₹ 1.59 crore, were not issued to the dealer who supplied the forms to the assessee. Thus, the Assessing Authority allowed the exemption without ensuring the genuineness of the forms. This resulted in irregular exemption of tax of ₹ 0.06 crore⁹⁹ at the rate of four *per cent* (**Appendix 7.13**).

The matter was reported to the Department/Government between April and September 2021. The Government replied (September 2021) that the dealer had submitted two 'E-2' forms and both the forms were found genuine. The reply was not acceptable because the form numbers referred to by Government in its reply were not objected to by Audit and thus, reply of the Government did not cover the two 'E-2' forms that were not found genuine.

Government may direct the Department to investigate the matter of fraudulent letter to fix responsibility and recover ₹ 0.24 crore from the dealers in the two cases, referred to in this paragraph.

7.10 Non-levy of interest

Assessing Authorities in 11 cases of 11 dealers under three ACSTs did not levy interest, whereas interest of ₹ 0.49 crore at the rate of 0.5 *per cent* per month was leviable.

Section 32(1) of the Punjab Value Added Tax Act 2005 (PVAT Act) provides that if a person fails to pay the amount of tax due from him as per provisions of this Act, he shall be liable to pay simple interest on the amount of tax at the rate of half *per cent* per month from the due date of payment till the date he actually pays the amount of tax. Further, Section 9(2B) of the Central Sales Tax Act 1956 (CST Act) provides that all the provisions of the sales tax law of each State relating to due date for payment of tax, rate of interest, assessment and collection of interest for delayed payment of tax, shall apply in relation to tax due under the CST Act.

Scrutiny of assessment cases finalised during the year 2019-20 under three¹⁰⁰ Assistant Commissioners of State Tax (ACSTs) revealed that 11 dealers in 11 cases declared interstate sale/branch transfer/export of taxable goods in their annual returns for the period from 2012-13 to 2016-17. The dealers availed concession/exemption from central sales tax on such sale and declared reduced tax liability in their annual returns. However, at the time of assessment, the dealers failed to produce statutory declarations or export documents in respect of the transactions on which concession/exemption from central sales tax had been availed at the time of furnishing annual returns. Consequently, the Assessing Authorities raised additional tax demands of ₹ 1.38 crore on account of differential tax amount due to non-submission of statutory declarations or export documents. Since the dealers had failed to

⁹⁹ ₹ 1,59,04,554 x 4 *per cent* = ₹ 6,36,182.

¹⁰⁰ Ludhiana-I, Ludhiana-II and Ludhiana-III.

produce statutory declaration forms, they were liable to pay interest of ₹ 0.49 crore at the rate of 0.5 *per cent* per month on the differential tax amount. However, Assessing Authorities did not levy interest of ₹ 0.49 crore (*Appendix 7.14*).

The matter was reported to the Government/Department (July and September 2021). The Government in its reply (September 2021) accepted the applicability of 0.5 *per cent* of interest in the pointed-out cases and informed that assessment cases were being taken up for revision.

Government may direct the Department to recover the interest of ₹ 0.49 crore in 11 cases referred to in this para. As this is a persistent issue, this needs special attention of the Government.

7.11 Non-reversal of input tax credit on shortage of paddy

In one assessment case under Assistant Commissioner of State Tax, Ludhiana-I, the Assessing Authority did not reverse input tax credit of ₹ 0.67 crore availed on the paddy which was lost due to shortage/embezzlement.

Section 19(1) of Punjab Value Added Tax Act 2005 provides for levy of purchase tax on purchase of goods specified in Schedule-H¹⁰¹ at the rate¹⁰² of VAT applicable to such goods as per the Schedules. Section 19(4) of the Act provides that purchase tax paid under Section 19(1) shall not be available as input tax credit unless the goods are sold or are used in manufacturing of taxable goods for sale. Further, Rule 21(2) of Punjab Value Added Tax Rules 2005 provides that input tax credit availed on the goods, which are lost, destroyed or damaged beyond repair, shall be reversed immediately on occurrence of such event.

Scrutiny of an assessment case of a dealer (state procurement agency) for the year 2012-13, assessed in November 2019 under Assistant Commissioner of State Tax (ACST) Ludhiana-I revealed that the dealer had declared shortage of 1.16 lakh quintal of paddy in the year 2012-13. The shortage of paddy of 1.16 lakh¹⁰³ quintal pertained to the period from 2009-10 to 2012-13 and the shortage was on account of shortage/embezzlement of paddy given to rice millers for milling. The value of the lost paddy at the extant rate of minimum support price (MSP) was ₹ 13.41 crore. Input Tax credit of ₹ 0.67 crore on account of purchase tax was required to be reversed on the lost paddy. However, the dealer did not reverse input tax credit on this paddy. At the time of assessment, the Assessing Authority allowed reduction in stock of paddy by

¹⁰¹ Wheat, Paddy, Cotton, Milk and Sugarcane.

¹⁰² Four *per cent* up to 10 April 2011 and five *per cent* with effect from 11 April 2011.

¹⁰³ 2009-10 (1,447.50 quintal), 2010-11 (1,943.53 quintal), 2011-12 (82,339.40 quintal), 2012-13 (30,632.51 quintal).

1.16 lakh quintal on account of shortage of paddy but did not reverse input tax credit of ₹ 0.67 crore under provisions, *ibid*. The non-reversal of input tax credit of purchase tax resulted in short levy of tax of ₹ 0.67 crore (*Appendix 7.15*).

The matter was reported to the Government/Department (May and September 2021). The Government replied (September 2021) that the shortage of 1.16 lakh quintal of paddy was actually a misappropriation of stock of paddy and the dealer had already filed FIR against the defaulters responsible for misappropriation of stock of paddy. There was no omission on the part of the Department because the Rule 21(2) of PVAT Rules 2005 was not applicable at this stage. Further, Rule 21(2) was amended¹⁰⁴ and the words “because of any theft, fire or natural calamity” were removed from it. This removal of words indicates the intention of legislature that reversal need not be done in cases of theft/misappropriation.

The above reply of the Government was not acceptable because of the following reasons:

1. The intention of the Rules 21(1) and 21(2) cannot be against the spirit of provisions contained in Section 19(4) of PVAT Act which provide that input tax credit of purchase tax is not admissible unless the goods are sold or used in manufacture of taxable goods. In these cases, the goods were neither sold nor used in manufacture of taxable goods. Hence, no input tax credit of purchase tax was admissible.
2. Rule 21(2) does not specify the circumstances under which loss/damage of goods is not to be considered for reversal of input tax credit. The coverage of words ‘lost, destroyed and damaged’ in the Rule 21(1) and 21(2) is comprehensive and not restrictive.
3. Initially, Rule 21(1) was restrictive to cases of theft, fire or natural calamity whereas coverage of Rule 21(2) was comprehensive. The amendment carried out in the Rule 21(1) in November 2008 was intended to remove the restrictive coverage of the rule by removing the words “because of any theft, fire or natural calamity”. By removing these words, the coverage of Rule 21(1) became comprehensive and in harmony with Rule 21(2).

The Government may direct the Department to rectify the omission in the assessment order and recover purchase tax of ₹ 0.67 crore in the pointed-out case.

¹⁰⁴ Notification No. GSR.58/P.A.8/2005/S.70/Amd.(16)/2008 dated 6 November 2008 as published in Punjab Government Gazette (Extra) dated 7 November 2008.

7.12 Short levy of tax on deficient statutory declaration forms

Assessing Authority in one case under Assistant Commissioner of State Tax SAS Nagar (Mohali) allowed excess benefit of concessional rate of tax of two *per cent* on interstate sale, which resulted in short levy of tax of ₹ 0.34 crore.

Sections 8(1) and 8(4) of Central Sales Tax (CST) Act 1956 read with Rule 12(1) of Central Sales Tax (Registration and Turnover) Rules, 1957 provides that concessional tax at the rate of two *per cent* in case of interstate sale shall not apply unless the selling dealer furnishes to the prescribed authority, a declaration in Form 'C', duly filled and signed by the registered dealer to whom the goods are sold. Section 9(2) of Central Sales Tax Act 1956 and Rule 2(cc) of Central Sales Tax (Registration and Turnover) Rules 1957 provide that the prescribed authority in this case is sales tax authority of the appropriate State.

Scrutiny of an assessment case for the year 2012-13, assessed in August 2019 under Assistant Commissioner of State Tax SAS Nagar (Mohali), revealed that the Assessing Authority allowed benefit of concessional rate of tax of two *per cent* on interstate sale of ₹ 14.63 crore against 47 'C' forms. However, the actual value of the goods covered under these forms was ₹ 11.75 crore (*Appendix 7.16*). The omission resulted in short levy of tax of ₹ 0.34 crore as given in **Table 7.1**.

Table 7.1: Short levy of tax due to excess benefit of concession

(₹ in crore)

Office of ACST	Number and Type of statutory declaration	Value of goods as per assessment orders	Actual value of goods covered under these declarations	Difference	Tax rate (<i>per cent</i>)	Short levy of tax
SAS Nagar	47 Form 'C'	14.63	11.75	2.88	11.75 ¹⁰⁵	0.34
Total		14.63	11.75	2.88		0.34

The matter was brought to the notice of the Government and the Department (May and October 2021). The Department in its reply (November 2021) accepted the audit observation and informed that case was taken up for revision. An additional demand of ₹ 0.26 crore was created and recovered from the dealer. However, the details of revised assessment orders were awaited (November 2022).

Government may direct the Department to examine similar cases and instruct assessing authorities to be vigilant while allowing exemptions and concessions in taxes.

¹⁰⁵ 13.75 *per cent* applicable rate of tax minus 2 *per cent* already paid.

7.13 Short reversal of input tax credit on tax-free sale

In two assessment cases under Assistant Commissioners of State Tax Patiala and Ludhiana-II, the Assessing Authorities reversed input tax credit of ₹ 0.17 crore on account of tax-free sale, whereas input tax credit of ₹ 0.44 crore was required to be reversed. The short reversal of input tax credit resulted in short levy of tax of ₹ 0.27 crore.

Section 13(1) of Punjab Value Added Tax Act 2005 states that a taxable person shall be entitled to input tax credit in respect of input tax on taxable goods purchased by him from a taxable person within the State provided that the input tax credit shall not be available unless such goods are sold or are used in manufacture, processing or packing of taxable goods for sale. Further, Section 13(5)(h) of the Act provides that a taxable person shall not qualify for input tax credit on goods used in manufacture, processing or packing of tax-free goods.

Scrutiny¹⁰⁶ of two assessment cases for the years 2011-12¹⁰⁷ and 2012-13, assessed in March 2018 and November 2019 under ACST Ludhiana-II and Patiala respectively, revealed that the gross sale of the dealers was ₹ 58.29 crore, out of which taxable sale was ₹ 2.45 crore only and remaining ₹ 55.84 crore was sale of tax-free goods (95.80 per cent). Gross purchase was ₹ 52.42 crore which included purchase of ₹ 12.29 crore on which input tax credit of ₹ 0.65 crore was allowed. Audit calculated value of taxable goods used in manufacture of tax-free goods and noticed that taxable goods worth ₹ 8.38 crore were consumed towards tax-free sale for which input tax credit of ₹ 0.44 crore¹⁰⁸ was required to be reversed, whereas input tax credit of only ₹ 0.17 crore was reversed in one assessment order. The short-reversal of input tax credit resulted in short levy of tax of ₹ 0.27 crore (*Appendix 7.17*).

On being pointed out (January 2021), ACST Ludhiana replied (December 2021) that Audit had not considered tax-free goods and yarn purchased by the dealer during the year 2012-13. After considering these figures, no reversal of input tax credit becomes due on tax free goods. The reply of the ACST was not acceptable as the reply was based on the figures of the year 2012-13 only, whereas there was a need to consider the facts and figures of 2011-12 and 2012-13 simultaneously to compute the input tax credit to be reversed. Audit had worked out reversal of input tax credit by tracking the consumption of taxable purchases during the years 2011-12 and 2012-13, which was ignored by ACST.

¹⁰⁶ Case of 2011-12 (Ludhiana-II) scrutinized in January 2021 and case of 2012-13 (Patiala) scrutinized in October 2020.

¹⁰⁷ Facts and figures of 2012-13 considered along with 2011-12 to view the case holistically.

¹⁰⁸ 5.5 per cent of ₹ 3.76 crore + 5 per cent of ₹ 4.62 crore = ₹ 0.44 crore.

The matter was reported to the Government and Department (August 2021 and December 2021); their replies were awaited (November 2022).

Government may re-verify the case and direct the Department to take appropriate action in the cases referred to in this para.

7.14 Non-payment of Goods and Services Tax on passenger transport service

Punjab Bus Metro Society provided taxable supply of transport of passenger services in air-conditioned stage carriages under Bus Rapid Transit System in the State of Punjab and collected ₹ 7.59 crore on account of fare from passengers. However, the Society did not get registration under GST regime and did not pay GST of ₹ 0.36 crore on the taxable supply.

Goods and Services Tax (GST) was implemented with effect from 1 July 2017. Supply of transportation of passenger Services *inter-alia* by air-conditioned stage carriages¹⁰⁹ was made taxable at the rate of five *per cent* and credit of input tax on inward supply of goods and services used in supplying the taxable service was not available.

Scrutiny (January 2021) of records of Punjab Bus Metro Society¹¹⁰ (PBMS), Chandigarh revealed that the Society was providing transportation of passenger services in air-conditioned buses in the State of Punjab under Bus Rapid Transit System. The Society collected fare amounting to ₹ 7.59 crore between July 2017 and December 2020. GST of ₹ 0.36 crore¹¹¹ was payable on this receipt on account of taxable supply of transportation of passenger services in air-conditioned stage carriages. The Society was required to get registration under GST as it was providing taxable supply. However, the Society had not taken registration under GST and did not pay GST of ₹ 0.36 crore.

The matter was reported to the Government/Department (May 2021). Secretary, Local Government, Punjab replied (July 2021) that the Society is registered as a charitable trust under Section 10(23C) of Income Tax Act, 1961 and carrying on charitable activities. The services of the society are exempt from GST as per Government notification¹¹² because the services are

¹⁰⁹ 'Stage Carriage' means a motor vehicle constructed or adapted to carry more than six passengers excluding the driver for hire or reward at separate fares paid by or for individual passengers, either for the whole journey or for stages of the journey (Section 2(40) of Motor Vehicle Act 1988).

¹¹⁰ Registered under Society Registration Act 1860 for administration and implementation of Bus Rapid Transit System/Urban Transport in the cities of Punjab. The Department of Local Government, Punjab is the Administrative Department for PBMS.

¹¹¹ ₹ 7,59,30,885 x 5/105 = ₹ 36,15,756 (Total receipt was inclusive of GST).

¹¹² CGST - Notification No. 12/2017-Central Tax (Rate) dated 28 June 2017, SGST - Punjab State Notification No. 37/PA-5/2017/S.11/2017 dated 30 June 2017.

by way of activity in relation to function entrusted to the municipality under Article 243-W of the Constitution. Moreover, the Society has not claimed any input tax credit in respect of inputs and input services. Even if the GST is applicable on the Society, the liability on this account will be nil as it will be offset by input tax credit.

It was further stated in the reply that services of the Society are exempt under the notification (Sr. No. 17(d)) of the notification *ibid*, which provides for exemption from GST on transportation of passenger by public transport other than predominantly for tourism purpose, in a vessel between places located in India.

The reply of the Department is not acceptable on the following grounds:

- a) There is a specific provision on taxability of passenger transport services. As per Serial No. 6 (item at c) read with Serial No. 8 and 15 of the notification *ibid*, transport of passengers by air-conditioned buses is not exempt from GST even if this service is provided by Central Government, State Government, Union territory or local authority.
- b) As per Serial No. 1 of the notification *ibid*, exemption from GST was available to charitable society registered under Section 12AA only and not for the charitable society registered under Section 10(23c) of the Income Tax Act for charitable activities. Moreover, the transportation of passengers by bus does not fall under charitable activities as defined under Section 2(r) of the notification *ibid*.
- c) The exemption available under Serial No. 17(d) of the notification *ibid*, is in respect of public transport by vessel and is not applicable to public transport by stage carriage. As defined at Serial No. 2(zzo) of the notification, vessel has the same meaning as assigned to it in Section 2(z) of Major Port Trust Act 1963. As per the definition, vessel is used for transportation of human or goods mainly by water.
- d) GST at the rate of five *per cent* is applicable on transport of passenger services with the condition that credit of input tax on inward supply of goods and services used in supplying the taxable service is not available.

As such, the Society was not eligible for exemption from GST on supply of passenger transportation services and was required to get registered under GST. The omission resulted in non-payment of GST of ₹ 0.36 crore¹¹³ on supply of passenger transport services by air-conditioned buses.

¹¹³ CGST: ₹ 18.08 lakh and SGST: ₹ 18.08 lakh.

The Society may get registered under GST and make payment of GST of ₹ 0.36 crore in the government account.

7.15 Irregular grant-in-aid from State Excise receipts

The State excise revenue to the tune of ₹ 125.52 crore was diverted to Excise and Taxation Technical Services Agency during the years 2018-19 to 2020-21 in the name of financial assistance and grant-in-aid in contravention of constitutional provisions.

Article 266 of the Constitution of India provides that all revenues received by the Government of a State shall form part of Consolidated Fund of the State. Rule 8 of Punjab Treasury Rules states that all moneys received by or tendered to any Government employee on account of the revenue of the Government or Public moneys raised or received by the Government shall, without undue delay be deposited in full into the treasury or into the Bank as the case may be and shall be included in the “Consolidated Fund of the State”. Money received as aforesaid shall not be appropriated to meet departmental expenditure nor otherwise kept apart from the Consolidated Fund of the State. No department of the Government may require that any moneys received by it on account of the revenues of the State be kept out of the Consolidated Fund of the State.

Audit noticed two instances, where government revenue was kept and appropriated outside Consolidated Fund of State of Punjab without the approval of State Legislature in contravention of the above provisions, as detailed below:

(A) Every year, the State Government formulates Excise Policy to decide the quantity of liquor to be allowed for manufacture/sale in the State of Punjab during next financial year, rate and manner of levy and collection of duty and fee on the liquor. The liquor vends are allotted to applicants through a system of draw for the next financial year. The process of allotment of liquor vends is completed in the month of March i.e., before start of the next financial year. During the liquor vends allotment process, state excise revenue is realized in the shape of application money and security deposits¹¹⁴.

Audit noticed from the Punjab Excise Policies for the years 2019-20 and 2020-21 that a provision was included in the excise policies to transfer 50 per cent of the receipts collected on account of application money for allotment of liquor vends or ₹ 50 crore, whichever is less, to Excise and Taxation Technical Services Agency (ETTSA¹¹⁵) as grant-in-aid to provide finances for computer systems infrastructure and development of various

¹¹⁴ Though termed ‘security deposit’, it is non-refundable and is adjusted towards liability of license fee for the last three months i.e., January to March of the applicable financial year.

¹¹⁵ ETTSA is a society created by the Government of Punjab for implementation of technical projects in the Excise and Taxation Department, Punjab.

modules. Similar provision of grant-in-aid in the Excise Policy for the year 2021-22 was made to transfer 50 per cent of the renewal fee/application money. The provision of transferring money out of government revenue without the approval of Government of Punjab (State Legislature) was in contravention of Article 266 of the Constitution and Rule 8 of Punjab Treasury Rules. Audit further noticed that while giving concurrence on Excise Policies, the Finance Department had objected¹¹⁶ to retention of application money/renewal fee proceeds with ETTSA and directed to deposit all application money/renewal fee proceeds under the relevant head of the State treasury. Finance Department also mentioned¹¹⁷ that expenditure on infrastructure related work should be met through budgetary provisions. However, audit scrutiny of records of ETTSA revealed that Excise and Taxation Commissioner Punjab transferred an amount of ₹ 50 crore out of ₹ 215 crore received on account of application money for allotment of liquor vends for 2019-20 in the bank account of ETTSA on 28 March 2019. Further, an amount of ₹ 71.19 crore¹¹⁸ out of allotment fee/renewal fee proceeds for the allotment/renewal of liquor vends for 2020-21 and 2021-22 was transferred in the bank account of ETTSA between May 2020 and March 2021. The transfer of money out of Government revenue to ETTSA was not only in contravention of constitutional provisions and against the directions of Finance Department but also resulted in understatement of receipt of Consolidated Fund of State to the extent of ₹ 50 crore and ₹ 71.19 crore in the respective financial years.

(B) A provision was included in the Excise Policy for the year 2018-19 for levy of IT Fee at the rate of ₹ 0.50 per proof litre on Punjab Medium Liquor (PML), Indian Made Foreign Liquor (IMFL) and ₹ 0.50 per bulk litre on Beer. The objective of the IT Fee was to provide money to ETTSA for upgrading the existing state excise computer module which was being maintained by the ETTSA. The policy further provided that IT Fee so collected was to be kept in a separate bank account maintained by Excise and Taxation Service Agency (ETTSA). Accordingly, the Department issued notification for amendment in Rule 25(41) of the Punjab Liquor License Rules 1956 on 22 March 2018¹¹⁹ which *inter-alia* provided for levy of IT Fee.

However, Audit noticed that the notification to levy IT Fee was issued by the Department under the powers conferred by Section 59 of the Punjab Excise Act 1914. Any duty or fee levied and collected under the powers conferred by Punjab Excise Act 1914 is excise revenue as per Section 3(9) of the Punjab Excise Act 1914. Hence, the provisions of Article 266 of the Constitution and Rule 8 of Punjab Treasury Rules became applicable to the IT Fee. Hence, IT Fee was required to be deposited by the Department in the Consolidated Fund

¹¹⁶ February 2019 (Policy 2019-20), January 2020 (Policy 2020-21), January 2021 (Policy 2021-22).

¹¹⁷ January 2021 (Policy 2021-22).

¹¹⁸ Allotment Fee: ₹ 4.62 crore (May 2020), Renewal Fee: ₹ 66.57 crore (February and March 2021).

¹¹⁹ Notification No. G.S.R.14/P.A.1/1914/S.59/Amd.(136)/2018 dated 22 March 2018.

of State whereas the Department issued instructions on 24 May 2018 to distilleries and breweries for deposit of IT Fee directly in the bank account maintained by ETTSA. Scrutiny of records of ETTSA for the years 2018-19 to 2020-21 revealed that ₹ 4.33 crore¹²⁰ on account of IT Fee were deposited by distilleries/breweries in the bank account of ETTSA.

The above provisions of excise policies to keep and appropriate government revenue (application fee and IT fee) out of Consolidated Fund of State instead of following budgetary channels were in contravention of the constitutional provisions.

The matter was reported to the Government (September 2021). The Department replied (April and June 2021) that motto of ETTSA is to provide 24-hour online services to the Department and taxpayers including maintenance and development of the software. These services have an impact on functioning of the department which directly affects the revenue of the State because submission of VAT returns, generation of excise passes, etc. are dependent on efficient functioning of the IT system managed by ETTSA. Any fund crunch for the society is likely to affect its efficacious functioning which has wide ramifications. Keeping in view the specific mandate of ETTSA, a provision was made in the Excise Policy 2018-19 to collect IT Fee and further provision was made in Excise Policy 2019-20 to provide grant-in-aid to ETTSA by transferring 50 *per cent* or ₹ 50 crore, whichever is less, out of receipts collected on account of application money for allotment of liquor vends. The Excise Policy had approval of Council of Ministers.

The reply of the Department was not acceptable because transferring money out of Government revenue to ETTSA in the name of grant-in-aid or assistance was against the directions of Finance Department and had no approval of State Legislature. The Department was required to deposit the excise revenue in the Consolidated Fund of State and make budgetary provision, through State Legislature, for providing grants/assistance to ETTSA. The omission resulted in irregular retention and appropriation of government money outside Consolidated Fund of the State of Punjab.

Government may ensure that proceeds of Government revenue are deposited into the State treasury. In case, grant-in-aid or assistance has to be provided to any institution or body, it may follow the budgetary channels.

¹²⁰ ₹ 3,49,48,992 (2018-19) + ₹ 83,75,806 (2019-20) + ₹ 10,365 (2020-21).

REVENUE, REHABILITATION AND DISASTER MANAGEMENT DEPARTMENT

7.16 Short levy of Stamp Duty, Registration Fee and Infrastructure Development Fee due to misclassification of properties

Seventeen Sub-Registrars/Joint Sub-Registrars short-levied stamp duty, registration fee and infrastructure development fee of ₹ 2.36 crore in 51 cases due to misclassification of properties and incorrect application of collector's rates.

Rule 3-A of the Punjab Stamp (Dealing of under-valued instruments) Rules, 1983 empowers the Collector of a district to fix the minimum market value of land/properties located in the district, locality-wise and category-wise and convey the same to the Registering Officer(s) for the purpose of levying of stamp duty and registration fee on instruments of transfer of property.

Scrutiny of the records (August 2020 to February 2021) of 17¹²¹ Sub-Registrars/Joint Sub-Registrars revealed that 51 instruments of transfer of properties were valued at ₹ 12.91 crore, out of which 43 instruments were registered by applying rates for agricultural properties and eight were registered by applying rate of industrial/residential/commercial properties on which stamp duty, registration fee and infrastructure development fee of ₹ 0.98 crore was levied. However, the category of these properties at the time of registration as per revenue records (*girdawari/jamabandi/patwari* report), was residential/commercial or the properties fell in such locations for which higher rate was prescribed in the rate list. Therefore, the properties were required to be valued at ₹ 45.26 crore and stamp duty, registration fee and infrastructure development fee of ₹ 3.33 crore was required to be levied. The misclassification of properties resulted in short levy of stamp duty, registration fee and infrastructure development fee of ₹ 2.36 crore¹²² (*Appendix 7.18*).

The matter was brought to the notice of the Department and the Government (between June and December 2021). The Department replied (January 2022) that recovery of ₹ 2.00 lakh in one case of Machhiwara was under process. The cases of Ludhiana (East), Mandi Gobindgarh, Morinda, Sahnawal and Samrala were in proceedings under Section 47-A of Indian Stamp Act, 1899.

The Government may direct the Department to levy and recover stamp duty, registration fee and infrastructure development fee of ₹ 2.36 crore in the 51 cases referred to in this para. As this is a persistent issue, the Government may pay special attention in such cases.

¹²¹ Balachaur (1), Chamkaur Sahib (4), Derabassi (2), Kharar (2), Ludhiana East (3), Ludhiana South-Central (9), Ludhiana West (8), Machhiwara (1), Majri (1), Mandi Gobindgarh (1), Morinda (1), Patiala (3), Payal (1), Phillaur (2), Sahnawal (7), Samrala (2) and Zirakpur (3).

¹²² Stamp Duty (₹ 1.75 crore), Registration Fee (₹ 0.28 crore), Infrastructure Development Fee (₹ 0.33 crore).

7.17 Short levy of Stamp Duty and Registration Fee on lease deeds

In two lease deeds, Sub-Registrars Patiala and Rupnagar short-levied stamp duty and registration fee of ₹ 0.12 crore due to application of incorrect rate of stamp duty and multiplicative factor.

Entry 35 of Schedule I-A of the Indian Stamp Act, 1899 provides for levy of stamp duty, at the rates prescribed from time to time, on instruments of lease on the basis of period of lease, money advanced and amount of average annual rent reserved. Government of Punjab increased (30 January 2019) rate¹²³ of stamp duty on lease deeds from four *per cent* to eight *per cent* of average annual rent where lease is for a period up to five years.

Audit scrutiny of records (September 2020 and January 2021) of Sub-Registrars, Patiala and Rupnagar for the year 2019-20 revealed that two instruments of lease were registered by levying stamp duty and registration fee of ₹ 0.07 crore, whereas stamp duty and registration fee of ₹ 0.19 crore was leviable in these cases. In case of Sub-Registrar Rupnagar, the reason for short levy was application of pre-revised rate of four *per cent* instead of revised rate of eight *per cent* on the lease instrument executed for a period of three years. In case of Sub-Registrar Patiala, short levy was due to less calculation of average annual rent and ignoring the multiplicative factor of four to be multiplied with average annual rent in case of lease executed for a period more than 30 years. The omissions resulted in short levy of stamp duty and registration fee of ₹ 0.12 crore (*Appendix 7.19*).

The matter was reported to the Government/Department (between June and December 2021). The Sub-Registrar, Patiala intimated (October 2021) that the case had been sent to Additional Deputy Commissioner for decision under Section 47-A of Indian Stamp Act 1899. Reply in respect of case pertaining to Sub-Registrar, Rupnagar was awaited (November 2022).

Government may direct the Department to recover stamp duty and registration fee of ₹ 0.12 crore in respect of two instruments of lease referred to in this para.

¹²³ Rate of stamp duty on lease deeds during 2019-20:

Period of Lease	Rate of Stamp Duty on rent	
	Rate	Amount on which payable
Less than one year	Four <i>per cent</i> (up to 29.01.2019)	Whole amount payable under the lease
	Eight <i>per cent</i> of whole amount (from 30.01.2019)	Whole amount payable under the lease
One year to five years	Four <i>per cent</i> (up to 29.01.2019)	Average annual rent
	Eight <i>per cent</i> (from 30.01.2019)	Average annual rent
Five years to ten years	Three <i>per cent</i>	Average annual rent
Ten years to 20 years	Three <i>per cent</i>	Twice the average annual rent
20 years to 30 years	Three <i>per cent</i>	Thrice the average annual rent
30 years to 100 years	Three <i>per cent</i>	Four times the average annual rent

TRANSPORT DEPARTMENT

7.18 Non-collection of Social Security Surcharge on motor vehicle tax

Three Regional Transport Authorities did not collect Social Security Surcharge of ₹ 0.97 crore on motor vehicle tax paid by Punjab Roadways and PUNBUS on stage carriage buses.

Department of Finance, Government of Punjab, in pursuance to Section 3(iii) of the Punjab Social Security Act, 2018 levied¹²⁴ (22 October 2018) Social Security Surcharge at the rate of ten *per cent* of tax on transportation vehicles and decided to implement the levy of surcharge with effect from 16 November 2018.

Audit scrutiny of the records¹²⁵ (between November 2019 and March 2021) of three¹²⁶ Regional Transport Authorities revealed that Social Security Surcharge of ₹ 0.97 crore¹²⁷ at the rate of ten *per cent* was not collected on motor vehicle tax of ₹ 9.67 crore paid by Punjab Roadways and Punjab State Bus Stand Management Company (PUNBUS) on stage carriage buses for the period from 16 November 2018 to 22 March 2020¹²⁸ (**Appendix 7.20**).

The matter was brought to the notice of Government and Department (November and December 2021). The Department replied (August 2022) that matter had been taken up with the concerned RTAs and recoveries were under process.

Government may direct the Department to recover the Social Security Surcharge of ₹ 0.97 crore in the pointed-out cases and examine the similar cases in all the RTAs for corrective action.

7.19 Short/non-realisation of motor vehicle tax and surcharge from tourist permit vehicles

The State Transport Department did not collect motor vehicle tax and surcharge of ₹ 0.77 crore in respect of 36 tourist permit vehicles of seven transporters.

Section 3 of the Punjab Motor Vehicle Taxation Act, 1924, empowers the State Government to fix the rates of motor vehicle tax. The rate of motor vehicle tax for the tourist permit vehicles registered in the State is ₹ 7,000 per seat per annum and shall be paid monthly, quarterly, or annually in advance by the 15th of the month or by the 15th of first month of the quarter or 15th April of

¹²⁴ Notification No. 150/PA.8/2018/S-3/2018 dated 22 October 2018.

¹²⁵ Records of Stage Carriage Buses are maintained manually by the Department.

¹²⁶ RTA Amritsar, Mohali (2018-19); RTA Ludhiana (2018-19 to 2019-20).

¹²⁷ (i) Amritsar-₹ 20.94 lakh (ii) Ludhiana-₹ 64.29 lakh and (iii) Mohali-₹ 11.47 lakh.

¹²⁸ Due to Covid-19 pandemic, the Government of Punjab exempted stage carriage buses from payment of MVT from 23 March 2020 to 31 December 2020.

the year as the case may be. Further, the Department of Finance, Government of Punjab, in pursuance to Section 3(iii) of the Punjab Social Security Act 2018 levied (22 October 2018) Social Security Surcharge at the rate of ten *per cent* of tax on transportation vehicles and decided to collect it with effect from 16 November 2018. The total number of tourist permits in the Punjab up to 31 March 2020 was 18,762.

Further Section 11-A of the Punjab Motor Vehicle Taxation Act 1924 provides that if an owner fails to pay the tax due from him, he shall in addition to the amount of tax be liable to pay simple interest on the amount of tax due from him at the rate of one and half *per cent* per month. Moreover, under Section 14-B of the act, the vehicle may be detained where any tax due in respect of any vehicle has not been paid.

Test check of records (July and August 2020) in the office of the State Transport Commissioner, Punjab for the year 2019-20 revealed that motor vehicle tax and surcharge of ₹ 0.32 crore only was realized in respect of 36 tourist permit vehicles of seven transporters against the recoverable amount of ₹ 1.09 crore for the period from 01 April 2019 to 22 March 2020¹²⁹. This resulted in short/non-realization of motor vehicle tax and surcharge of ₹ 0.77 crore (*Appendix 7.21*).

On this being pointed out (July and August 2020), the Department accepted (September 2020) the facts in respect of 30 vehicles of two transporters and blacklisted 12 vehicles of one transporter. In respect of the remaining six vehicles of five transporters, the Department stated that the reply would be submitted shortly.

The matter was reported to Department and Government (December 2021); their replies were awaited (November 2022).

Government may take appropriate action for recovery of the motor vehicle tax and surcharge in respect of defaulting transporters.

¹²⁹ Government of Punjab exempted tourist permit vehicles from payment of motor vehicle tax from 23 March 2020 to 19 May 2020 due to Covid-19 pandemic situation.