Chapter-VIII

Compliance Audit Observations (State Public Sector Enterprises)

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Compliance Audit Observations (State Public Sector Enterprises)

Important audit findings emerging from test-check of transactions of State Government companies and statutory corporations have been included in this chapter. This chapter contains seven audit observations having a financial implication of ₹ 110.02 crore.

POWER DEPARTMENT

Punjab State Transmission Corporation Limited

8.1 Loss of interest

Delay of more than four years in signing of agreement for recovery of operation and maintenance charges resulted in avoidable interest cost of ₹ 1.26 crore.

Punjab State Transmission Corporation Limited (Company) carries out operation and maintenance (O&M) of line bays[1] which are owned by Power Grid Corporation of India Limited[2] (PGCIL) and located in sub-stations of the Company. The Company recovers O&M charges for the activity from PGCIL, as determined and notified by Central Electricity Regulatory Commission (CERC) for each year in CERC (Terms and Conditions of Tariff) Regulations, applicable for given period, on quarterly basis. A Memorandum of Understanding (MOU) is required to be executed with PGCIL for recovery of the O&M charges.

Audit noticed (July 2021) that the Company was carrying out O&M of two[3] 400 KV line bays of PGCIL located at its 400 KV sub-station at Rajpura since their commissioning in June 2016. However, MOU for recovery of due O&M charges on quarterly basis from PGCIL, was finally signed by Company in December 2020, a delay of more than four years. The reasons for delay in execution of MOU were not on record.

Due to this delay in signing of MOU, O&M charges of ₹ 4.58 crore from June 2016 to December 2020, which were otherwise recoverable on a quarterly basis, could be claimed from PGCIL only in March 2021, *i.e.* after a

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1 A bay is a power line within an electrical substation which connects a circuit (such as a power line or transformer) to a Bus Bar (central connection in a substation which links all circuits of the same voltage together).

2 A Central Public Sector Enterprise which provides transmission system for evacuation of central sector power and is also responsible for the establishment and operation of regional and national power grids to facilitate the transfer of power within and across the Regions/States.

3 400 KV Dehar - Rajpura and 400 KV Rajpura – Bhiwani line bays.

lapse of three months to four and half years. The due payment was received by the Company in April/May 2021.

The delay in signing of MOU and consequent delayed recovery of O&M charges resulted in avoidable interest cost of ₹ 1.26 crore[4] on the Company, which is reliant on working capital loans from banks to finance its day-to-day affairs.

The Management replied (March 2022) that the 400 KV system being a new system, focus of the Company remained on its commissioning and maintenance to meet power requirements of State. The process for execution of MoU was initiated with PGCIL during April 2018 but got delayed due to need for incorporation of O&M charges notified by CERC for 2019-24 and account for cost of maintenance works carried out by PGCIL from date of commissioning of bays in the MoU.

The reply of the Management is not acceptable as similar MoU for O&M of two[5] 400 KV line bays commissioned (November/ December 2015) at 400 KV Nakodar sub-station had been executed (June 2016) for the period 2015-19 and as also renewed (November 2019) for the period 2019-24 before execution (December 2020) of even first MoU for 400 KV line bays at 400 KV Rajpura. This goes to show that the Company had not pursued the MoU execution process for O&M of PGCIL's 400 KV Rajpura earnestly leading to delay in recovery of O&M charges and consequent interest loss of ₹ 1.26 crore.

The matter was referred (October 2021) to the Government; their reply was awaited (November 2022).

It is recommended that the Company should ensure timely execution of all commercial agreements for recovery of its due charges to protect its financial interests.

Punjab State Power Corporation Limited

8.2 Delay in commissioning of Micro Hydel Projects

The Company suffered generation loss of 18.93 MUs due to delay in commissioning of three Micro Hydel Projects after renovation which caused net loss of revenue of ₹ 5.58 crore and an avoidable expenditure of ₹ 3.41 crore towards fulfilling the renewable purchase obligation.

Punjab State Power Corporation Limited (Company) decided (January 2016) to float tenders for Renovation, Operation and Transfer (ROT) of maintenance

[4] calculated at rate of interest on working capital allowed by Punjab State Electricity Regulatory Commission in the tariff orders for the years 2016-17 to 2020-21.

[5] 400 KV Jalandhar – Nakodar and 400KV Nakodar – Kurukshetra line bays.

of its micro hydel projects (MHPs) and signed (December 2016) ROT agreements for three (Thuhi, Nidampur and Daudhar) MHPs. All three MHPs were scheduled to be commissioned by December 2017.

Audit observed (October 2020) that the projects were actually commissioned after delay ranging between 221 and 594 days. The delay was caused due to issues related to dismantling, design and engineering, refurbishment, new procurement and shop fitment of turbine parts. Further, as per Request for proposal (RFP) documents, these activities were to be considered by the bidder while making the bid. Therefore, these factors were well within the knowledge of the bidder/contractor. This delay in commissioning of these three MHPs after renovation by the contractor resulted in loss of generation 18.93 MUs of electricity equivalent to revenue[6] of ₹ 5.58 crore as follows:

Table 8.1: Net loss of revenue due to loss of generation in Micro Hydel Projects

Name of the project	Date of issue work order	Due date of Commissioning	Actual date of commissioning the project	Delay (in days)	Estimated loss of generation (in MUs)	Net revenue loss[7] (₹ in crore)
1	**2**	**3**	**4**	**5**	**6**	**7**
Daudhar	23-12-16	22-12-17	31-07-18	221	6.330	2.31
Nidampur	22-12-16	21-12-17	10-10-18	293	4.206	1.08
Thuhi	21-12-16	20-12-17	06-08-19	594	8.398	2.19
Total					**18.934**	**5.58**

Source: Data provided by the Company

Audit further observed that the Company did not insert any penalty clause in the ROT agreement for delay in completion of the works; resultantly, it could not impose any penalty on the contractor to cover its loss.

Audit also observed that because of this delay the Company could not fulfill its renewable energy commitments also. Consequently, the Company had to purchase Renewable Energy Certificates (RECs) of ₹ 3.41 crore to meet its commitment towards Renewal Purchase Obligation (RPO).

The Management stated (September 2022) that delays occurred due to technical issues like problems in dismantling, turbine design and engineering, repair, renovation, shop fitment, laying of new transmission line etc. The reply of the Company is not tenable as scheduled completion period mentioned in the bid document was arrived at after considering all the related factors which were controllable.

The matter was referred (January 2022) to the State Government; their reply was awaited (November 2022).

6 Average Realisable Rate for year as per tariff order *minus* the cost of power of micro hydel projects.

7 Difference between annual realisable value for the year as per Tariff order of respective year and the cost of energy from the project.

It is recommended that the Company should monitor the implementation of its projects for their timely completion.

8.3 Accumulation of penal interest

The Company continued to delay payments to Micro and Small Enterprises resulting into accumulation of penal interest liability of ₹ 90.41 crore between April 2018 and December 2021.

Punjab State Power Corporation Limited (Company) purchases various types of material for its operational requirements from several supplier firms including those defined as Micro and Small Enterprises (MSEs) under 'Micro, Small and Medium Enterprises Development Act, 2006' (Act).[8]

The Act provides[9] for the buyer to make payment to MSEs on or before the agreed date which should not exceed 45 days from the date of acceptance of material failing which the buyer is liable to pay compound interest with monthly rests at three times of the bank rate notified by Reserve Bank of India (RBI), notwithstanding anything contained in any agreement between the buyer and the supplier or in any law for the time being in force. The Act further provides[10] that any party to a dispute with regard to any amount due under this Act, may make a reference to the Micro and Small Enterprises Facilitation Council (MSEFC) and that application for setting aside any decree, award or other order made by MSEFC shall be entertained by Court only after the appellant has deposited 75 *per cent* of the amount decreed, awarded or ordered.

Audit observed (July 2019) that the Company delayed payments to MSEs and also contested the claims of MSEs for interest on delayed payments and awards given there against by judicial authorities in superior Courts. During May/ June 2015, High Court of Punjab and Haryana had dismissed 37 appeals of the Company finding no illegality or infirmity in the awards given by MSEFCs. Further, Supreme Court of India had dismissed (December 2015) one such case and subsequent review petition also (April 2016).

The Report of Comptroller and Auditor General of India on Public Sector Undertakings (Social, General and Economic Sectors) of Government of Punjab for the year ended 31 March 2014 pointed out (Para 3.3) the failure of the Company in making timely payments of materials to small scale industrial units resulting in extra interest burden of ₹ 47.81 crore. After discussion on the

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[8] Replaced the earlier 'Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993'.

[9] Section 15 (Liability of buyer to make payment) and Section 16 (Date from which and rate at which interest is payable) of MSMED Act 2006.

[10] Section 18 (Reference to micro and small enterprises facilitation council) and Section 19 (Application for setting aside decree, award or order) of MSMED Act 2006.

Para, Committee on Public Undertakings (COPU) recommended (March 2018) that despite being aware of strict provisions requiring payment of penal interest for delayed payments to MSEs, the Company had challenged such claims of MSEs in Courts instead of accepting their claims. COPU had also asked for quantum of interest liability arising due to non-acceptance of claims of MSEs.

Audit observed that the Company, despite being aware of statutory provisions and adverse orders from Supreme Court/ High Court and observations of COPU on the matter, was still continuing with challenging the claims of MSEs for interest on delayed payments in various Courts. Test check showed that ten separate cases relating to interest on delayed payments claimed by M/s Sangrur Industrial Corporation Limited, Sangrur are pending at High Court/ Supreme Court level. In five cases pending at Supreme Court level, against original disputed claims of ₹ 2.28 crore, an amount of ₹ 5.75 crore was awarded by MSEFCs during 2010, against which an amount of ₹ 4.31 crore (75 *per cent*) was deposited at the time of filing appeals and balance liability of ₹ 1.44 crore (25 *per cent*) had increased to ₹ 7.18 crore before the same was deposited based on orders of Hon'ble Supreme Court during 2016. In the remaining five cases pending at High Court level against original disputed claims of ₹ 14.57 crore, an amount of ₹ 16.91 crore was awarded by MSEFCs during 2014 to 2015, against which an amount of ₹ 12.69 crore (75 *per cent*) was deposited at the time of filing appeals and balance liability of ₹ 4.22 crore (25 *per cent*) has increased to ₹ 25.16 crore as on 31 December 2021.

Similarly, six separate cases relating to interest on delayed payments claimed by M/s Punjab Transformers and Electronics Limited, Sangrur are pending at High Court/ Supreme Court level. In three cases pending at Supreme Court level, against original disputed claims of ₹ 0.89 crore, an amount of ₹ 1.75 crore was awarded by MSEFCs during 2010, against which an amount of ₹ 1.31 crore (75 *per cent*) was deposited at the time of filing appeals and balance liability of ₹ 0.44 crore (25 *per cent*) had increased to ₹ 2.56 crore before the same was deposited based on orders of Hon'ble Supreme Court during 2016. In the remaining three cases pending at High Court level against original disputed claims of ₹ 3.42 crore, an amount of ₹ 5.07 crore was awarded by MSEFCs during 2014 to 2015, against which an amount of ₹ 3.80 crore (75 *per cent*) was deposited at the time of filing appeals and balance liability of ₹ 1.27 crore (25 *per cent*) has increased to ₹ 7.23 crore as on 31 December 2021.

Further, scrutiny of 38 ongoing cases for interest on delayed payments to MSEs pending at MSEFC/ District Court/ High Court level in Material Management (MM) organisation of the Company showed that:

- In 21 cases pending at MSEFC level, an amount of ₹ 46.31 crore claimed by MSEs during 2004 to 2020 has increased to ₹ 127.30 crore as on 31 December 2021. The increase in penal interest liability from April 2018 onwards alone was ₹ 51.29 crore.

- In six cases pending at District Court level, ₹ 20.84 crore (75 *per cent*) stands deposited against ₹ 27.79 crore awarded by MSEFCs to MSEs during 2014 to 2016 at the time of filing appeal and the balance liability of ₹ 6.95 crore (25 *per cent*) had increased to ₹ 37.71 crore as on 31 December 2021. The increase in penal interest liability from April 2018 onwards alone was ₹ 20.32 crore.

- In eleven cases pending at High Court level, ₹ 17.70 crore (75 *per cent*) stands deposited against ₹ 23.81 crore awarded by MSEFCs to MSEs during 2011 to 2015 at the time of filing appeal and the balance liability of ₹ 6.10 crore (25 *per cent*) had increased to ₹ 35.79 crore as on 31 December 2021. The increase in penal interest liability from April 2018 onwards alone was ₹ 18.80 crore.

However, no action to arrest the continued accumulation of penal interest liability accruing at thrice[11] the bank rate notified by RBI had been taken by the Company. Resultantly, penal interest liability had accumulated to ₹ 90.41 crore[12] between April 2018 and December 2021.

The Government replied (July 2022) that it has started depositing full award amount in High Court while challenging MSEFC awards and a proposal is being submitted before Board of Directors (BoD) of the Company for allowing deposit of balance 25 *per cent* of award amount in cases pending before District/ High Court to avoid future interest liability. The proposal, however, was yet (September 2022) to be approved by the BoD.

The fact remains that action to restrict the continued accumulation of penal interest liability in these ongoing cases before District/ High Court was yet to be completed by the Company.

The Company needs to examine the reasons for delay in payments to MSMEs as interest and penal interest as well as legal expenses to contest the court cases are adding to the liabilities of the Company. It is recommended that the Company may examine cases of willful non payment of liabilities in a fixed time frame and fix accountability of officials concerned to check this trend.

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[11] Bank Rate of RBI ranged from 4.25 *per cent* to 6.75 *per cent* and effective penal interest on delayed payments to MSEs ranged from 12.75 *per cent* to 20.25 *per cent* during April 2018 to December 2021.

[12] in Material Management organisation alone.

AGRICULTURE AND FARMERS' WELFARE DEPARTMENT

Punjab State Warehousing Corporation

8.4 Loss of interest

The Corporation was deprived of the interest earnings amounting to ₹ 64.11 lakh due to investment of surplus funds in different banks on the same day without ensuring maximum returns.

Punjab State Warehousing Corporation (Corporation) is engaged mainly in activities of warehousing, containerisation and procurement of foodgrains. The Corporation has its own as well as hired godowns for storage of foodgrains procured for Food Corporation of India and other agencies for which it receives charges. The surplus of the storage charges income is invested in fixed deposits in different banks by the Corporation.

As per Department of Finance, Government of Punjab guidelines (April 2008), the Corporation must place their deposits at least to the extent of 60 *per cent* with public sector banks and the remaining 40 *per cent* with any scheduled commercial banks and while doing so, it may ensure to place deposits with the bank which gives the maximum return by following a transparent procedure.

The Corporation had (March 2021) fixed deposits of ₹ 1,118.52 crore in different banks. These funds were invested by the Corporation for a period of above one year to less than two years on the basis of quotations received from the banks on its panel. Audit observed (June 2021) that the Corporation had parked funds of ₹ 100 crore in fixed deposits with Axis Bank at the rate of 6.40 *per cent per annum* and ₹ 100 crore in fixed deposits with Punjab National Bank at the rate of 5.80 *per cent per annum* on the same day *i.e.,* on 3 April 2020. As both the banks were on its panel, non-deposit of entire ₹ 200 crore in Axis Bank which was offering higher rate of interest resulted in loss of interest amounting to ₹ 64.11 lakh to the Corporation.

Thus, the Corporation was deprived of the interest earnings amounting to ₹ 64.11 lakh due to investment of surplus funds in different banks on the same day without ensuring maximum returns.

The Management stated (February 2022) that as per quotation, Axis bank was able to book only ₹ 100 crore on 3 April 2020 for one year and the investment was diversified to take advantage of hedging of funds. The reply is not acceptable as to save the financial interest of the Corporation, it could have invested ₹ 100 crore in Axis bank on the next day as the rate of interest was same upto 18 April 2020. Moreover, the Corporation was not having any fixed deposits in Axis Bank on 31 March 2020 and if it had deposited entire

₹ 200 crore in Axis Bank which was offering higher rate of interest, even then it would not have crossed the prescribed limit of 40 *per cent* fixed deposits in scheduled commercial banks and 60 *per cent* in public sector banks.

The matter was referred (December 2021) to the State Government; their reply was awaited (November 2022).

The Corporation should avail the opportunity of parking the surplus funds at higher rates offered by the banks and safeguard its financial interest.

INDUSTRIES AND COMMERCE DEPARTMENT

Punjab Small Industries and Export Corporation Limited

8.5 Delayed/Short-claiming of extension fee

Failure of the Company to raise its claim of extension fee from an allottee in time and accurately as per the terms of allotment resulted in non-recovery of ₹ 6.04 crore and associated loss of interest of ₹ 1.16 crore.

Punjab Small Industries and Export Corporation Limited (Company) allots plots for setting up industries as per the Allotment Policy of the Government of Punjab. The plots are allotted at tentative prices and letter of intent (LOI) issued. The plot allotment price is subject to variation with reference to actual measurement of the plot and cost of acquisition of land. In case of any enhancement of compensation amount on account of acquisition of land by the Courts, the allottees are to pay the additional price of the plot. Further, the allottees are to commence commercial production on the industrial plot within a period of three years from the date of issue of LOI which is extendable by two more years. The Company is entitled to recover extension fee at the rate of 7.5 *per cent* and 10 *per cent* of the allotment price of plot for fourth and fifth year respectively for giving extension in commencement of production.

Audit observed (September 2020 and December 2020) that the Company allotted (August 2015) a plot (no. A-1) measuring 1,70,029 square yards to an allottee[13] at an allotment price of ₹ 18.36 crore at Phase-II, Industrial Complex, Goindwal Sahib for manufacturing paints. The allottee was to commence production by August 2018 which actually started in October 2019. The Company demanded (April 2019) enhancement compensation of ₹ 16.12 crore which was paid (July 2019) by the allottee. However, Company

[13] M/s. Kansai Nerolac Paints Limited.

did not claim extension fee for delay in commencement of commercial production as per the terms of the allotment.

The Company raised (July 2021) its claim of extension fee of ₹ 3.21 crore for the period August 2018 to August 2020 on the original price of ₹ 18.36 crore after being pointed out in Audit. However, it was observed that the claim was raised without taking into account the enhancement compensation of ₹ 16.12 crore which resulted into short claiming of extension fee by ₹ 2.83 crore. The Company has not received any amount from the allottee towards the extension fee till date (December 2021).

Thus, delayed and short claiming of extension fee as per the terms of allotment resulted in non-recovery of extension fee of ₹ 6.04 crore and consequential loss of interest of ₹ 1.16 crore[14] to the Company.

The matter was referred (January 2022) to the State Government and the Company; their replies were awaited (November 2022).

The Company may ensure timely and accurate raising of its claims from the allottees as per terms of the allotment by strengthening its monitoring mechanism.

FOOD, CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

Punjab State Grains Procurement Corporation Limited

8.6 Shortages and damage of de-centralised procurement (DCP) wheat

Poor preservation and non-adherence of FIFO during distribution of decentralised procurement wheat under National Food Security Act, 2013 resulted in shortages and damage of wheat and consequent loss of ₹ 1.52 crore to the Company.

Government of India (GoI) enacted National Food Security Act (NFSA), 2013 to provide food and nutritional security to the identified households by ensuring access to adequate quantity of quality food at affordable prices. Under the NFSA, every beneficiary is entitled to receive foodgrains at subsidised rates from the State Government through the Public Distribution System. The Department of Food, Civil Supplies and Consumer Affairs, Government of Punjab (GoP) implemented (December 2013) the NFSA under which wheat was to be distributed to beneficiaries at the rate of

[14] Calculated at a simple interest rate of 7.00 *per cent* per annum on recoverable extension fee of ₹ 6.04 crore for the period from August 2018 to December 2021.

₹ 2 per kg by the Punjab State Grains Procurement Corporation Limited (Company) being the nodal agency for implementation of NFSA in Punjab.

A Memorandum of Understanding (MoU) was signed between GoI and GoP for execution of de-centralised procurement (DCP) for NFSA in which the Company procures and stores wheat till its distribution to the beneficiaries. The GoI directed (March 2014) that Distribution/movement/issue of foodgrain stocks have to be made on the principle of 'First in First Out' (FIFO) *i.e.* stocks of older crop year shall be moved/issued first. The State Government verifies the quantities distributed under NFSA and the Company claims the subsidy on quarterly basis from the Department of Food and Public Distribution, GoI at the rates notified by the GoI after adjusting the sale realisation from the beneficiaries *i.e.* ₹ 2,000 per MT. The onus of safe custody of wheat stored in godowns till its delivery remains with the Company.

Audit noticed (September 2020) that 1440.169 MT wheat (Of Crop Year 2014-15: 317.200 MT, 2015-16: 75.53 MT and 2016-17: 1047.439 MT) was damaged (November 2016 to August 2019) and disposed off (December 2019) through tenders. The reasons marked in the Stock Categorisation reports for damage of wheat were poor preservation of stocks and prolonged storage of wheat.

Audit observed that the Company had not followed FIFO[15] method while issuing DCP wheat for distribution under the NFSA, 2013. During 2015-16, 4.03 lakh MT wheat of crop year 2015-16 was distributed whereas 1.03 lakh MT wheat of crop year 2014-15 was available for distribution. Similarly, 6.98 lakh MT wheat of crop year 2016-17 was distributed during 2016-17 whereas 0.62 lakh MT wheat of crop year 2014-15 to 2015-16 was available for distribution and 7.51 lakh MT wheat of crop year 2017-18 was distributed during 2017-18 whereas 0.61 lakh MT wheat of crop year 2014-15 to 2016-17 was available for distribution. To avoid damage to wheat due to prolonged storage, the left over wheat of earlier crop years was to be distributed on priority. The non-observance of FIFO resulted into damage of 1440.169 MT wheat which was put to sale through tenders during December, 2019. However, at the time of actual lifting of wheat stock, further shortages of 440.559 MT wheat which resulted into loss of ₹ 0.84 crore[16].The balance damaged wheat (999.610 MT) was sold at rates ranging between ₹ 2500 and ₹ 15555 per MT which resulted into loss of ₹ 0.68 crore.

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15 required to be followed as per directions of GoI.

16 calculated at sale price to be realised from GoI in case of distribution of DCP wheat to the beneficiaries.

Thus, poor preservation and non-adherence of FIFO not only resulted in loss of ₹ 1.52 crore to the Company but also deprived the beneficiaries of DCP wheat under NFSA, 2013.

The matter was referred (November 2020) to the Government and the Corporation; their replies were awaited (November 2022).

The Company may employ scientific preservation techniques, ensure strict monitoring over storage conditions and observe the principle of First In First Out while issuing wheat.

TRANSPORT DEPARTMENT

Punjab State Bus Stand Management Company Limited

8.7 Passenger amenities and upkeep of bus stands

Passenger amenities such as safe drinking water, toilets and urinals, CCTV surveillance, safety measures, provision of waiting rooms etc. were inadequate at the bus stands. Monitoring was grossly inadequate resulting in non-maintenance of public amenities at bus stands and poor redressal of passenger grievances.

8.7.1 Introduction

Punjab State Bus Stand Management Company Limited (Company) was incorporated (March 1995) under the Companies Act, 1956 with the main objective to manage, control and supervise the bus stands in the State. The Company had 19[17] bus stands and handled an average footfall ranging from 1,500 to 1,00,000 per day during 2020-21 in them. The Company has overall responsibility of the operation and maintenance of the bus stands and to ensure adequate amenities for the passengers. The Company carried out the operation and maintenance of the bus stands through contractors by entering into Management Contracts for a period of five years. The controlling Depot Manager is responsible for checking the operation and maintenance activities at bus stands. The finalisation of annual financial statements of the Company was in arrears and had been finalised only upto the year 2015-16 (September 2022). As per provisional accounts, the Company earned profits of ₹ 3.51 crore and ₹ 2.12 crore during 2018-19 and 2019-20 respectively, provisional accounts for the year 2020-21 were yet to be prepared (August 2022).

[17] Amritsar, Dera Baba Nanak, Fazilka, Ferozepur, Hoshiarpur, Jagraon, Jalandhar, Ludhiana, Majitha, Moga, Mukerian, Muktsar, Nangal, Pathankot, Rupnagar, Shaheed Bhagat Singh (SBS) Nagar, Shri Anandpur Sahib, Taran Taran and Zira. Sri Anandpur Sahib bus stand was functioning under Rupnagar Depot.

With the objective of assessing the adequacy and maintenance of passenger amenities at the bus stands, upkeep of bus stands and efficacy of monitoring mechanism, an audit was taken up. Audit selected six[18] bus stands (31 *per cent*) using random stratified sampling[19] and reviewed the provision and maintenance of basic passenger amenities and upkeep of bus stands during the period from 2018-19 to 2020-21. Towards achieving the audit objective, a test check of records at Head office and selected depots as also joint inspections with officials of selected bus stands were conducted. As part of audit exercise, joint passenger surveys to record passengers' perception regarding availability of passenger amenities by randomly selecting 25 passengers at each of the sampled bus stands was undertaken.

8.7.2 Audit Findings

8.7.2.1 Norms for passenger amenities

As per Management Contract, the operator was required to provide adequate passenger amenities at bus stands which include safe drinking water at par with WHO standards, clean and functional water chambers, 100 *per cent* CCTV surveillance along with security system for passengers and their belongings, proper seating arrangements at platforms, 24 hours operational waiting rooms, descaled/scum free toilets/ urinals including special toilets for specially abled passengers, legible display boards regarding user charges etc., functional complaint registers, 24 hours operational parking facility and effective waste management along with covered dustbins. These norms were applicable on the Company as well as contractors for operation and maintenance of bus stands.

The Bureau of Indian Standards (BIS) provides norms (Code IS-1172:1993) for the minimum sanitary conveniences at residential, commercial and industrial buildings in urban areas including bus terminals. Audit noticed that the Company had neither prescribed any norms nor prepared a manual regarding quantum of infrastructure to be provided at the bus stands *i.e.* number of drinking water taps, toilets, urinals, CCTV cameras, security guards etc. Deficiencies in provision of sanitary conveniences with respect to BIS norms have been discussed in paragraph 8.7.3.1 *infra.*

8.7.2.2 Creation of infrastructure for passenger amenities

The Company decided (January 2015) that any excess revenue from bus stands shall be utilised on bus stands for construction/rent/repair and maintenance of buildings of workshops, roads etc. Though revenue of

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18 Moga, Roopnagar, Ludhiana, Amritsar, Nangal and SBS Nagar.

19 Strata were based on passenger footfall, management of bus stand by Company/contractor and geographical location.

₹ 22.28 crore and ₹ 26.6 crore was earned from the bus stands, yet during 2018-19 and 2019-20 respectively, neither budget was allocated nor capital expenditure was incurred for making required additions to the bus stands' infrastructure. For example, the bus stand at Rupnagar was being operated in a temporary shed with uncovered platform and waiting area for more than 20 years, causing inconvenience to passengers.

8.7.3 Passenger amenities at bus stands

8.7.3.1 General Passenger amenities

During joint inspection, passenger amenities at bus stands such as potable water, toilets/ urinals including toilets for specially abled passengers, security systems, waiting rooms, cloak rooms, parking facility, seating arrangements, user charges, cleanliness at bus stands, complaint redressal mechanism and effective waste management etc. were checked and following deficiencies were noticed (as detailed in ***Appendix 8.1***):

- For availability of clean and cooled drinking water at bus stands, availability of RO water filters or equivalent and water coolers was to be ensured. At three[20] of the six selected bus stands it was observed that RO purified water was not available. At two[21] of six selected bus stands water coolers were not available. At other two[22] selected bus stands only one water cooler was available. At five[23] of six selected bus stands, storage chambers of water coolers were not clean. Water testing for checking quality was not being done at any of the selected bus stands.

- Adequate number of clean and hygienically maintained toilet facilities are essential to maintain a clean environment. At all the selected bus stands, number of toilets were inadequate to cater to the needs of the public as per *ibid* BIS norms. The shortage in number of toilets ranged from four to 83 for male and one to 38 toilets for female passengers for a daily footfall ranging from 5,000 to 90,000. There was also shortage in number of urinals at four[24] bus stands, waiting rooms at three[25] bus stands and cloak rooms at two[26] bus stands.

- At five[27] out of six (83 *per cent)* selected bus stands, the toilets and urinals were unhygienic needing increased periodicity and quality of cleaning. They also needed urgent repairs of toilet seats and doors at

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20 Amritsar, Nangal and Rupnagar.
21 Amritsar and Nangal.
22 Rupnagar and SBS Nagar.
23 Amritsar, Ludhiana, Nangal, Rupnagar and SBS Nagar.
24 Amritsar, Ludhiana, Nangal and Rupnagar.
25 Moga, Nangal and Rupnagar.
26 Nangal and Rupnagar.
27 Amritsar, Ludhiana, Nangal , Rupnagar and SBS Nagar.

five[28] and two[29] of the selected bus stands respectively. The toilets for specially abled passengers were not maintained at Amritsar and Nangal bus stands.

- At all the selected bus stands, no segregation of waste was being done by the Company/contractor. In five[30] of six (83 *per cent*) sampled bus stands, the dustbins were either without lids or handles. Piles of garbage were observed at Nangal and SBS Nagar bus stands. In the joint passenger survey, 31 *per cent* passengers responded that arrangement of dustbins was insufficient.
- At Rupnagar bus stand there was no waiting room for passengers and the seating arrangement at platform was uncomfortable and broken. At Nangal and Moga bus stands, there were no waiting rooms for male passengers while at Amritsar bus stand, waiting rooms were not available for use and sheds provided at the platform for seating of the passengers were broken exposing them to harsh weather conditions. The waiting rooms for female passengers at Nangal, were found locked. The waiting rooms were unhygienic and rundown wherever available.
- At two[31] of six selected bus stands, cloak rooms were not available. At Ludhiana and Moga Bus Stands, cloak room was not properly maintained and the racks were found unlocked and used for stocking material. There was also over-charging of the facility.
- The user charges mentioned in parking fee slips were not as per the Management Contract. The passengers were short[32]/overcharged[33] at five of six selected bus stands. At three[34] of six selected bus stands, vehicle parking fee was not displayed, making the facility prone to manipulation.
- During joint inspection of shops (test checked) at Amritsar bus stand, Audit observed that three shopkeepers were charging rates more than the Maximum Retail Price.

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28 Amritsar, Ludhiana, Nangal , Rupnagar and SBS Nagar.
29 Ludhiana and SBS Nagar.
30 Amritsar, Ludhiana, Moga, Nangal and SBS Nagar.
31 Nangal and Rupnagar.
32 Amritsar.
33 Amritsar, Moga, Nangal, Rupnagar and SBS Nagar.
34 Nangal, Rupnagar and SBS Nagar.

Picture No. 1: Non-operational RO and unhygienic surroundings of Water Cooler at Rupnagar Bus Stand (27 July 2021).	**Picture No. 2:** Filthy water chamber at Nangal Bus Stand (29 July 2021)

Picture No. 3: Broken toilet at Amritsar Bus Stand (23 August 2021)	**Picture No. 4**: Broken cemented seats/ seating arrangement at Rupnagar Bus Stand (27 July 2021)

- at Rupnagar and Amritsar bus stands internal roads were broken and full of potholes causing inconvenience to the passengers.

- The floor of platform at Rupnagar bus stand had cracks and iron strips were protruding from floor causing risk of injury to passengers.

Picture No. 5: Broken internal road at Rupnagar Bus Stand (27 July 2021)	**Picture No. 6**: Damaged internal road at Amritsar Bus Stand (23 August 2021)

8.7.3.2 Amenities related to safety of Passengers

Joint inspection of the selected bus stands was conducted and deficiencies as detailed in ***Appendix 8.2*** were noticed:

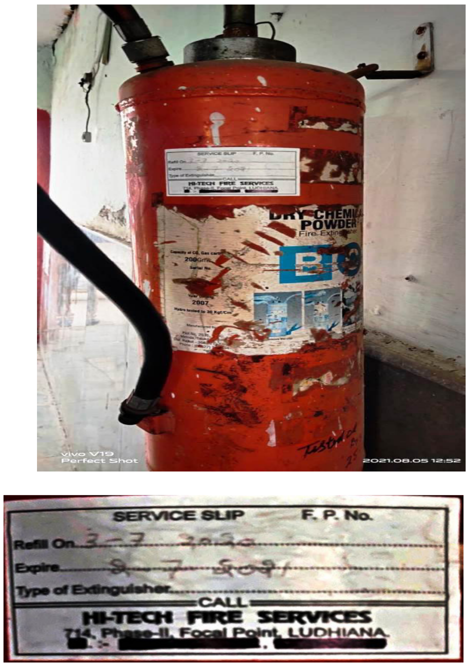
- At Rupnagar bus stand, no daytime security staff was deployed and only one security guard was deployed for night time and CCTV cameras were not installed at mini bus stand platform. There were only six and four security guards at Amritsar and Ludhiana bus stands to cater to the minimum footfall of 90,000 and 80,000 passengers per day, respectively. It was observed that only 14 CCTV cameras out of 38 and 18 CCTV cameras out of 25 were operational at Amritsar and Ludhiana bus stands respectively compromising the safety and security of passengers.

- At SBS Nagar and Nangal Bus Stand, there were only two security guards posted on rotational basis and one security guard on day duty and two at night duty respectively to serve the minimum footfall of 10,000 persons per day at each Bus Stand. Further, out of six CCTV cameras installed at SBS Nagar bus stand, only four were found operational during inspection.

- At four[35] of six bus stands, CCTV backup available was not enough. The backup of CCTV recording ranged from three to 13 days against the required 20 days as per Management Contract, resulting in non-availability of critical information required by the passengers or other authorities in case of any theft/ mis-happening. Control room was without operator at four[36] out of six of selected bus stands.

- The Company/contractor was required to obtain/ renew fire safety clearance from the authority concerned, yearly. Joint inspection showed that the Company/contractor did not take fire safety clearance from the appropriate authorities at any of the selected bus stands and fire extinguishers had expired their validity at four[37] of six sampled bus stands.

[35] Amritsar, Ludhiana , Moga and SBS Nagar.
[36] Amritsar, Moga, Nangal and SBS Nagar.
[37] Amritsar, Ludhiana, Nangal and Rupnagar.



Picture-7: Expired fire extinguisher at Amritsar Bus Stand (23 August 2021)	**Picture-8**: Expired fire extinguisher at Ludhiana Bus Stand (05 August 2021)

8.7.3.3 Complaint Redressal Mechanism

The Company/ contractor was required to maintain a complaint register for recording of complaints by passengers. The availability and access to complaint register is to be prominently displayed at the passenger entry and exit of each Bus stand so as to bring it to the attention of all passengers. After inspection of complaint register, the action so taken was to be briefly noted in the complaint register by contractor.

At four[38] of six selected bus stands complaint registers were not available. Examination of complaint register at Rupnagar bus stand revealed that 15 complaints pertaining to broken internal roads, filthy bathrooms, unsafe drinking water remained unaddressed since 2018[39]. At Moga bus stand, the passengers complained about non-availability of cold water during summer seasons. Though the complaint has been shown as disposed off in the complaint register yet its repeated lodging by passengers show that the problem still persists.

Availability of complaint register was not displayed at any of the selected bus stands. In the joint passenger survey, 44 *per cent* passengers responded that they were not aware of facility of complaint register at bus stands.

[38] Amritsar, Ludhiana, Nangal and SBS Nagar.
[39] 2018-19: 03, 2019-20: 07 and 2020-21: 05.

8.7.4 Monitoring and Control

- Every Depot Manager of the Company was required to conduct a quarterly meeting of the Maintenance Board[40] to review the compliance of Management Contract, effective operation and maintenance of bus stands and action taken on matters arising out of the complaints. Audit noticed that during the period 2018-2021, against the requirement of 12 meetings[41] per bus stand, meetings conducted ranged from zero to three, reflecting grossly inadequate monitoring at all the selected bus stands.

- The Depot Manager was required to inspect/ physically at site all the facilities and facts of contractors' returns and submit a monthly inspection report to Managing Director of the Company. Audit observed that regular monthly inspections were not carried out by depot managers.

- In five[42] of six (83 *per cent*) sampled bus stands, the contractors' returns *i.e.* Asset Register, Action Taken Progress Report, Complaint Register, Handing Over Report, Maintenance Register, Maintenance Undertaken, Preventive Maintenance Register of Inspection of Building and Maintenance Undertaken and Traffic Report were not submitted periodically reflecting that compliance to provisions of Management Contract remained unmonitored.

- In four[43] of six (67 *per cent)* selected bus stands, neither Company nor contractor had executed tri-party agreements with the shopkeepers, putting the property at the risk of non-vacation/encroachment. Joint inspection revealed that shopkeepers encroached upon the platform space at Moga and Ludhiana bus stands, creating inconvenience to the passengers.

- Joint inspection of SBS Nagar bus stand showed that parking area for four wheelers was occupied by taxi operators making the parking facility unavailable for use of passengers.

- An amount of ₹ 1.56 lakh and missing accessories at the time of handover of Nangal bus stand remained unrecovered due to expired performance bank guarantee (PBG). There was a short receipt of PBG of ₹ 0.38 crore from the contractor managing Ludhiana bus stand.

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[40] Deputy Commissioner of concerned district, General Manager (P&D) of the Company, Senior Superintendent of Police, Depot Manager and authorised representative of contractor.
[41] four meetings per year.
[42] Amritsar, Ludhiana, Moga, Nangal and SBS Nagar.
[43] Amritsar, Ludhiana, Moga and Rupnagar.

- Thirteen clearances from various local authorities to provide uninterrupted amenities to the passengers were not taken at all the selected bus stands.

Recommendations

The Company may:

- *devise norms for creation of adequate infrastructure for passenger amenities and make financial provisions accordingly; and*
- *provide adequate passenger amenities commensurate with the passenger footfall.*

The matter was referred (October 2021) to the State Government and the Company; their replies were awaited (November 2022).

Chandigarh **(NAZLI J. SHAYIN)**
The 27 January 2023 **Principal Accountant General (Audit), Punjab**

Countersigned

New Delhi **(GIRISH CHANDRA MURMU)**
The 30 January 2023 **Comptroller and Auditor General of India**