Chapter-VI

Compliance Audit Observations (Departments)

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Compliance Audit Observations (Departments)

This chapter contains 10 observations covering compliance issues observed in Departments of the Government, involving financial implications of ₹ 39.19 crore. The replies of the Departments and Government have been suitably incorporated in the observations.

Social, General and Economic Departments

ANIMAL HUSBANDRY, DAIRY DEVELOPMENT AND FISHERIES DEPARTMENT
Punjab Livestock Development Board

6.1 Avoidable payment of interest

Punjab Livestock Development Board delayed filing its Income Tax Return for the assessment year 2014-15 by 16 months and subsequently delayed payment of tax liability by seven months. The Board made avoidable payment of interest of ₹ 1.26 crore.

Income Tax Act, 1961 (Act), Section 139(1) provides that every person (a) being a company or a firm; or (b) being a person other than a company or a firm, if his total income during the previous year exceeds the maximum amount which is not chargeable to income tax shall on or before the due date, furnish a return of his income in the prescribed form. Section 139 (4A) of the Act provides that every person in receipt of income derived from property held under trust or other legal obligation wholly for charitable or religious purposes or in part only for such purposes, shall, if the total income exceeds the maximum amount which is not chargeable to income tax, furnish a return of such income of previous year in the prescribed form.

Section 234 of the Act provides that the taxpayer is liable to pay simple interest at the rate of one *per cent* per month or part of a month for (i) delay in filing the return of income; (ii) delay for default in payment of advance tax; and (iii) default in payment of instalments of advance tax.

Audit observed (September 2020) that the Punjab Livestock Development Board[1] (PLDB), a Society registered (June 2001) under the Societies Registration Act 1860, had not filed its Income Tax Return (ITR) for the Assessment Year (AY) 2014-15 by the scheduled date of 30.11.2014. The return was filed on 29.03.2016. No advance tax was also deposited by the PLDB. Due to delayed filing of ITR for the AY 2014-15 by 16 months,

[1] Working under the control of Animal Husbandry Department, Punjab.

the Income Tax Department issued (December 2016) a demand notice of ₹ 2.98 crore[2] including interest of ₹ 1.05 crore under section 234 A, B and C of the Act. Against this demand notice, PLDB deposited (August 2017) ₹ 2.98 crore leading to avoidable payment of ₹ 1.05 crore on account of interest. As the tax liability was paid after a delay of seven months, interest of ₹ 0.21 crore was also adjusted by Income Tax department during the Assessment years 2017-18 and 2018-19 from the refunds of the PLDB.

It was also seen that the PLDB had already been advised (February 2014) by a chartered accountant to file its ITR as per the Act. The Government of Punjab (Department of Finance) had also advised (March 2015) PLDB to file ITR so that levy of interest and penalty could be avoided, but PLDB did not take cognizance of the advice. Thus, failure of PLDB to file ITR for the assessment year 2014-15 in time and subsequent delayed payment of tax liability had resulted in avoidable payment of ₹ 1.26 crore on account of interest.

The State Government replied (June 2023) that after Assessment Year 2014-15 the income tax returns have been filed in time.

Recommendation: The Department should fix the responsibility of concerned officials/officers for delayed submission of ITRs which resulted in extra burden of interest.

FORESTS & WILDLIFE PRESERVATION AND PUBLIC WORKS DEPARTMENTS

6.2 Wasteful expenditure due to abandonment of a work midway

Failure of Forests and Wildlife Preservation Department/Punjab Infrastructure Development Board to provide requisite funds for the completion of work as well as lapse on the part of PWD to start the work without ensuring the deposit of sufficient funds led to midway abandonment of Lion Safari work which rendered ₹ 2.31 crore spent on the work as wasteful.

Rule 2.5 of Punjab Public Works Department Code (Code) provides that for every work initiated by or connected with the requirements of another department, it is necessary to obtain the concurrence of the department concerned to the proposals before technical sanction to the work is accorded

[2]

Income Tax due	₹ 2.51 crore.
Interest due	₹ 1.05 crore.
Total	₹ 3.56 crore.
Adjustment of TDS	₹ 0.58 crore.
Demand Notice	₹ 2.98 crore.

in the Public Works Department (PWD). The formal acceptance by the department concerned of the proposal to incur expenditure on a work initiated by or connected with the requirements of such Administrative Department is termed as Administrative Approval (AA) of the work and is in effect an order to PWD to execute certain specified works at a stated sum to meet the administrative needs of the department requiring the work. Further, Rule 2.89 of the said Code provides that no work shall be commenced unless a properly detailed design and estimate have been sanctioned, allotment of funds made and orders for its commencement issued by competent authority.

Government of Punjab, Department of Forests and Wildlife Preservation, accorded (July 2016) AA to the work of construction of Lion Safari in Mattewara forest in district Ludhiana for ₹ 4.14 crore. The work was to be executed by PWD and it was decided[3] that funds for the work would be provided by Punjab Infrastructure and Development Board (PIDB).

Test check of records of the Executive Engineer (EE), Construction Division-1, PWD (Building & Roads), Ludhiana showed (December 2021) that the Chief Engineer (Central), PWD Punjab technically sanctioned (July 2016) the estimate of the work for ₹ 4.03 crore[4]. The work included civil work (construction of interpretation centre building, kitchen block, public toilet block, ticket counters and main gate); water supply, sewerage & sanitary services; and electrical services. The work was technically sanctioned (July 2016) by CE and allotted (November 2016) to a construction company (contractor) at a cost of ₹ 3.78 crore for completion within six months i.e. by 01 May 2017. The progress of the work was very slow due to non-provision of adequate funds by PIDB. Against the execution of work[5] valuing ₹ 2.31 crore[6] as of January 2018, PIDB provided/released (November 2016) ₹ 1.01 crore only for which the EE submitted utilisation certificate in March 2017. The EE demanded further funds from PIDB as well as Divisional Forest Officer, Ludhiana (DFO) but no funds were provided/ released. In June 2017, it was decided in a meeting of PIDB held under the

3 In the 116th meeting of Steering committee of PIDB.

4 Civil work-₹ 3.54 crore; Public Health Services-₹ 0.28 crore; Electrical Services-₹ 0.19 crore; and Quality control-₹ 0.02 crore.

5

Sr. No.	Component	Status of the work
1.	Interpretation centre building	Structural work completed whereas flooring, painting and steel roof of audio-visual room left.
2.	Kitchen block/cafeteria	Structural work except steel roof completed. Finishing pending.
3.	Public toilet block	Structural work up to roof is completed.
4.	Ticket counter	Not yet started.
5.	Main gate	Not yet started.

6 Value of work executed by the contractor as per fourth Running Bill- ₹ 2.27 crore and Contingency, etc. - ₹ 0.04 crore.

chairmanship of Chief Minister, Punjab that due to shortage of funds with PIDB, the Administrative Department(s) may identify other sources of funds and departmental schemes to meet out the liabilities of their projects. But no such source was identified by the Department of Forest and Wildlife Preservation, Punjab to complete this project. Due to non-payment, the contractor filed a Civil Writ Petition (CWP)[7] in the Punjab and Haryana High Court claiming his outstanding payments against the executed work and the Court ordered in April 2018 for making payment to the Contractor. Thereagainst, the EE made payment of ₹ 1.30 crore in January 2019.

Audit noticed that the work remained at a standstill since January 2018. After waiting for more than three and a half years, the Chief Engineer (August 2021), on the recommendation of Superintending Engineer, ordered the closure of the agreement due to non-availability of funds or non-providing of funds by the funding agency. At the time of closure of agreement, the work to the extent of 58 *per cent* was completed at an expenditure of ₹ 2.31 crore. No item of work relating to public health and electrical services was executed. As the works were lying incomplete, the Lion Safari could not be made functional (August 2022).

The EE stated (December 2021) that the work was stopped due to non-receipt of funds and further confirmed (August 2022) that no funds to complete the work had been received. The Divisional Forest officer, Ludhiana stated (November 2022) that the matter did not relate to their office and added that funds of ₹ 1.01 crore was directly transferred by PIDB to the EE, PWD Construction Division No. 1, Ludhiana. The reply of DFO was not convincing because it was the responsibility of the Administrative Department/funding agency to provide requisite funds to the executing department which it failed to do. Moreover, the Forest Department failed to identify any source of funding to complete the project as discussed above. Further, PWD did not ensure to obtain the requisite funds for the completion of the work prior to the start of the work.

Thus, failure of Forest and Wildlife Preservation Department/PIDB to provide requisite funds for the completion of work as well as lapse on the part of PWD to start the work without ensuring the deposit of requisite funds in advance as provided in the *ibid* rules led to midway abandonment of Lion Safari work which rendered ₹ 2.31 crore spent on the work wasteful.

Recommendation: The Department should ensure to provide/obtain requisite funds for completion of work prior to start of work to avoid midway abandonment of the work.

The matter was referred (October 2022) to the State Government; their reply was awaited (February 2024).

7 CWP No. 7826 of 2018.

HIGHER EDUCATION AND TECHNICAL EDUCATION & INDUSTRIAL TRAINING DEPARTMENTS

6.3 Non-payment of Goods and Services Tax

Goods and Services Tax of ₹ 5.31 crore was not paid against the taxable services received by two educational institutions during the period from 1 July 2017 to 31 March 2022.

As per proviso below Serial No. 66 of the Notification No. 12/2017-Central Tax (Rate) dated 28 June 2017 issued by Central Government and corresponding Notification No. SO 37/P.A.5/2017/S.11/2017 issued by Punjab Government on 30 June 2017, the services provided to educational institutions by way of security or cleaning or house-keeping services were not exempt from the Goods and Services Tax (GST), where educational institutions were providing services other than pre-school education and education up to higher secondary school or equivalent. Similar provisions in respect of Integrated Goods and Services Tax were made under Serial No. 69 of the Notification No. 09/2017-Integrated Tax (Rate) dated 28 June 2017. GST at the rate of 18 *per cent* was applicable on the above-mentioned services.

The sub sections (3) of Section 9 of 'Central Goods and Services Tax Act' and 'Punjab Goods and Services Tax Act' empowered Central and Punjab Government respectively, to notify specific categories of services, the tax on which should be paid on reverse charge basis by the recipient of services. The Central Government vide Notification No. 29/2018-Central Tax (Rate) dated 31 December 2018 notified 'security services' under reverse charge mechanism for Central Goods and Services Tax, if the services were provided to a registered person by any person other than a body corporate and the registered person was located in the taxable territory. For reverse charge of GST on 'security services' in respect of Integrated Goods and Services Tax, the Notification No. 30/2018-Integrated Tax (Rate) issued by Central Government on 31 December 2018 contained similar provisions. Punjab Government also issued corresponding notification[8] for Punjab Goods and Services Tax on 28 February 2019. The reverse charge mechanism on 'security services' became effective from 1 January 2019.

Audit scrutiny of records (between November 2021 and August 2022) of two[9] educational institutions providing education services above higher secondary level revealed that these institutions had received security services and

[8] Notification vide No. S.O. 23/ P.A.5/2017/S.9/Amd./2019 dated 28 February 2019.

[9] (i) Punjabi University, Patiala; and (ii) Sardar Beant Singh State University, Gurdaspur.

employment/labour services valuing ₹ 30.55 crore from six[10] service providers during the period from 1 July 2017 to 31 March 2022. Out of this, 'security services' valuing ₹ 8.58 crore received by one[11] educational institution after 31 December 2018 were taxable under reverse charge mechanism, on which GST of ₹ 1.54 crore at the rate of 18 *per cent* was payable by the educational institution itself. On the remaining services valuing ₹ 21.97 crore, GST of ₹ 3.96 crore at the rate of 18 *per cent* was payable under forward charge mechanism by the service providers after charging tax on their invoices from the educational institutions. Audit observed that only one[12] educational institution paid GST of ₹ 0.19 crore under forward charge mechanism to one service provider. The remaining GST of ₹ 5.31 crore ***(Appendix 6.1)*** under reverse charge (₹ 1.54 crore) and forward charge (₹ 3.77 crore) was not paid.

On being pointed out, the Punjabi University replied (February 2022) that the service provider concerned never charged GST. Sardar Beant Singh State University replied (August 2022) that only one service provider had charged GST[13] in his invoices and the same was paid by the institution.

Replies of the educational institutions were not acceptable because these educational institutions were expected to be aware of their liabilities under GST law while receiving the taxable services, whether those services were taxable under reverse charge mechanism or forward charge mechanism because the financial burden of GST, being an indirect tax, was ultimately to be borne by these educational institutions. Therefore, the educational institutions were supposed to pay applicable tax under reverse charge mechanism for security services, and take corrective measures for other services, where tax was payable under forward mechanism but the same was not charged by the service providers in their invoices.

The matter was reported to the Government and educational institutions (November 2022 and March 2023). Both the educational institutions accepted (March 2023) the facts and figures brought out in the audit observation. One[14] educational institution further stated that compliance had been started as the present service provider had charged GST in the bills with effect from February 2023. The reply of the Government was awaited (February 2024).

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10 GSTIN of Service providers: (i) 07xxxxxxxxxx1Z0; (ii) 04xxxxxxxxxx4ZD; (iii) 03xxxxxxxxxx1ZB; (iv) 27xxxxxxxxxx1ZJ; (v) 07xxxxxxxxxx1Z4; and (vi) 04xxxxxxxxxx1ZF.

11 Punjabi University, Patiala.

12 Sardar Beant Singh State University: ₹ 0.19 crore to service provider with GSTIN-27xxxxxxxxxx1ZJ.

13 GST amount paid to service provider (GSTIN-27xxxxxxxxxx1ZJ) works out to ₹ 0.19 crore at the rate of 18 *per cent* on value of service of ₹ 1.05 crore.

14 Sardar Beant Singh State University, Gurdaspur.

Recommendation: The Government may direct the educational institutions referred to in the above paragraph to ensure that GST of ₹ 5.31 crore is paid against the taxable services received by these institutions and be compliant with the GST provisions in future.

HOME AFFAIRS AND JUSTICE DEPARTMENT

6.4 Non-recovery of lease rent of Government land

Failure of the Department of Home Affairs and Justice to take timely action to recover the Government dues from a Company resulted in blocking of lease rent of ₹ 5.54 crore along with penal interest of ₹ 2.33 crore.

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

Government of Punjab, Department of Home Affairs and Justice (Department) leased (August 2011) 32 acres of land to Punjab Dyers' Association (PDA), a non-government, not-for-profit company, for 33 years at an annual lease rent of ₹ 1.44 crore, payable in quarterly instalments of ₹ 36.00 lakh, for setting up of Common Effluent Treatment Plant (CETP). The lease deed to the effect was signed on 26 August 2011 between PDA and the Department valid upto 25 August 2044. The possession of the land was handed over to PDA on 26 August 2011.

Subsequently, Government of Punjab (GoP) accorded its approval (24 February 2014) to the departmental proposal to reduce the leased land area from 32 acre to 18 acre, 01 *kanal and 19 marla* in view of the reduced requirement of land and waiver of lease rent of ₹ 1.92 crore payable by PDA since September 2012 as per their request. The annual lease rent was now revised to ₹ 82.13 lakh payable quarterly by 7th day of start of each quarter. For delay in payment, penal interest at the rate of 12 *per cent* was chargeable.

Scrutiny (January 2021) of records at the O/o Additional Director General of Police (Prisons) Punjab (ADGP) showed that PDA paid lease rent upto December 2015 and thereafter no lease rent was paid. As of September 2022, lease rent of ₹ 5.54 crore was outstanding against PDA along with ₹ 2.33 crore on account of penal interest in terms of the conditions of the lease deed. The ADGP issued (August 2021) a legal notice for recovery of outstanding dues only after Audit flagged (January 2021) the matter.

The ADGP replied (November2022) that despite repeated correspondence PDA did not deposit the overdue lease rent and the penal interest since 01 January 2016. Thus, failure of the Department to take timely/concrete action to recover the Government dues had resulted in blocking of lease rent and interest to the tune of ₹ 7.87 crore as of September 2022.

The matter was referred (January 2022) to the Government; their reply was awaited (February 2024).

Recommendation: The Department should take concrete action for recovery of its outstanding dues and all Departments across the Government should check cases where Government revenues are overdue and take action for recovery and protection of Government interests.

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

6.5 Loss of interest/Penal interest

Failure of the Estate Office, Greater Mohali Area Development Authority to adhere to the land allotment policy terms and conditions led to interest loss of ₹ 0.71 crore and also provided financial favour of ₹ 0.34 crore to an allottee.

Punjab Urban Development Authority (PUDA) framed (March 2019) a policy for disposal of sites of petrol, diesel and liquid petroleum gas/ compressed natural gas retail outlets falling under the area of PUDA and other development authorities in the State. The policy provided that these sites would be sold by way of e-auction. The policy provided that the successful bidder would have to pay 15 *per cent* of the bid amount (besides 10 *per cent* already deposited within 3 days of acceptance of bid) within 30 days from the date of acceptance of bid. The allotment letter was to be issued within 30 days after the receipt of 15 *per cent* of bid amount. The balance 75 *per cent* of bid price was payable by the allottee in 8 half yearly instalments. The allottee could also make lump sum payment of the balance 75 *per cent* within 60 days from the date of allotment to avail 7.50 *per cent* discount on the balance principal amount. The Policy also provided that in case the successful bidder did not deposit the 15 *per cent* amount within 30 days to complete 25 *per cent* of the bid amount, an extension could be granted on a written request and on payment of 1.5 *per cent* as surcharge on the due amount and 15 *per cent* interest on the total plot price (except 10 *per cent* already paid) for the delayed period.

Audit observed (November 2021) at the Office of Estate Officer, Housing and Plots, Greater Mohali Area Development Authority (GMADA) that a petrol pump site in Aero city, SAS Nagar was auctioned (October 2019) for ₹ 18.66 crore. The successful bidder[15] deposited 10 *per cent* of the bid amount (₹ 1.87 crore) within three days but 15 *per cent* of the bid amount i.e. ₹ 2.80 crore was deposited on 27 January 2020 against the due date of

[15] Indian Oil Corporation.

29 November 2019, i.e after a delay of 59 days. Audit observed that though, GMADA recovered the surcharge of ₹ 4.20 lakh but out of the due penal interest of ₹ 0.41 crore[16], only ₹ 0.07 crore was recovered from the bidder, thereby extending favour of ₹ 0.34 crore to the bidder.

It was further noticed that after receipt of 25 *per cent* bid amount, GMADA initiated the process of issue of draft allotment letter only on 21 February 2020 and remained under correspondence in various administrative divisions upto 18 November 2020. The allotment letter was finally issued on 23 November 2020 against the due date of upto 26 February 2020, after a delay of eight months and 26 days. The bidder deposited the balance payment of ₹ 12.81 crore[17] on 21 January 2021 *i.e.* within 60 days of issue of allotment letter to avail 7.5 *per cent* discount.

Thus, the balance amount which could have been received upto 27 April 2020, was received on 21 January 2021 *i.e.* after a delay of 8 months and 26 days. As a result, GMADA suffered interest loss of ₹ 0.71 crore[18] for 269 days[19] *i.e.* from 28 April 2020 to 21 January 2021. In addition, penal interest of ₹ 0.34 crore was short recovered from the bidder.

GMADA stated (November 2021) that efforts would be made to issue the allotment letters in time but was silent on the issue of non-charging of penal interest. The reply is not acceptable because failure to ensure the issue of allotment letter in time and recover the penal interest as per policy resulted in GMADA incurring a loss of ₹ 1.05 crore.

Recommendation: The Department should ensure adherence to policy terms and conditions while auctioning developmental sites to avoid the loss of interest. GMADA may review similarly placed cases and the quantum of penal interest charged from allottees.

The matter was referred (February 2023) to the Government; their reply was awaited (February 2024).

16 Penal interest on balance ₹ 16.79 crore (₹ 18.66 crore – ₹ 1.87 crore) @ 15 *per cent* for 59 days.

17
Payment due	₹ 13.99 crore.
Less Discount (7.5 *per cent*)	₹1.05 crore.
Less TDS deducted	₹ 0.13 crore.

18 ₹ 12.81 crore @ 7.55 *per cent* (prevailing average borrowing rate of bank interest of GMADA).

19
Date of receipt of 25 *per cent* amount of bid	27.01.2020.
Due date to issue the allotment letter	26.02.2020.
Actual date of issue of allotment letter	23.11.2020.
Delay (in number days)	269 days.

LOCAL GOVERNMENT DEPARTMENT

6.6 Deprival of available Central assistance

Failure to comply with the timelines for submission of proposals for procurement of buses for BRTS resulted in rejection of the proposal and deprival of the available Central assistance of ₹ 11.00 crore.

Ministry of Urban Development (MoUD), Government of India (GoI) issued guidelines (August 2013) for financing of buses for urban transport system under Jawaharlal Nehru National Urban Renewal Mission (Mission). State Governments were directed to prepare Detailed Project Reports (DPR) on priority basis for sanctioning the projects from Central Sanctioning and Monitoring Committee (CSMC). The State Government/Urban Local Bodies (ULBs) were required to meet the conditions[20] within two months of sanction for release of first installment. Fifty *per cent* reimbursement of the actual cost of the procurement of the buses for cities having population from one to four million was available under the Mission.

Government of Punjab (GoP) set up a society (May 2013) by the name Punjab Bus Metro Society (Society), in the year 2013 for the purpose of promoting public transport in the urban areas of the State. The Rules of the Society provided that the Board of Governors (BoG) was the competent authority to issue letter of award (LOA) to the selected bidder for the purchase of buses, however, the Executive Committee (EC) or the Chairman could take decisions and get the same ratified from BoG in their next meeting.

Test check of records (December 2021) of the Society showed that the DPR for bus rapid transit system (BRTS) Amritsar for procurement of 93 buses was approved by the EC on 27 September 2013, but the same was submitted by the Society to Government of India (GoI) in December 2013, after a gap of nearly three months.

CSMC approved (February 2014) purchase of 93 buses (50 buses with estimated cost of ₹ 22.00 crore and 43 buses with the rider that funding for this procurement shall be made on surrender of buses by other States) for BRTS. CSMC also directed that the release would be based on receiving the purchase orders and the same was consented by GoP.

The purchase of buses was approved (August 2014) by the State Government/ Department after a lapse of six months from the approval of DPR by GoI. CSMC in their meeting (6 January 2015) fixed 10 February 2015 as the

[20] Setting up of city specific SPV, placing of purchase order for the buses, Depot land/depot for workshop facilities to be transferred to the SPV, Furnishing the proof of tying-up with financial intermediary for the cost of buses and submission of milestones for achievement of various reforms as stated in Para 13 of the guidelines.

deadline for submission of purchase order for buses to MoUD. However, the purchase order was issued by the Society on 31.03.2015 for purchase of 93 buses.

Thereafter, the matter for release of additional central assistance was taken up with MoUD on 10 April 2015. MoUD informed (May 2015) that the purchase order was placed after the due date and now the Ministry did not have any budget provisions under the Mission, hence no funds could be released. Government of Punjab decided (October 2016) that Punjab Infrastructure Development Board (PIDB) would provide funds for the procurement of buses. Accordingly, 93 buses were procured between December 2016 and December 2018 for ₹ 41.45 crore.

Thus, the Society's failure to comply with the timelines for submission of proposals for procurement of buses for BRTS resulted in rejection of the proposal and deprival of the available central assistance of ₹ 11.00 crore.

The matter was referred to the State Government (January 2023), their reply was awaited (February 2024).

RURAL DEVELOPMENT AND PANCHAYATS DEPARTMENT

6.7 Suspected misappropriation of funds

Non-adherence to codal provisions by the Drawing and Disbursing Officers at O/o Executive Officer Panchayat Samiti (EOPS) Batala and Chief Executive Officer, Zila Parishad, Moga resulted in suspected misappropriation of ₹ 39.04 lakh.

Section 193 Rule 46 and Para 47 (1) of Punjab Panchayat Samitis and Zila Parishads Finance, Budget and Accounts Rules, 2014 (Rules) make the Executive Officer (EO)/Chief Executive Officer (CEO) responsible to see that all revenues or other debts due to the Panchayat Samiti or the Zila Parishad which have to be brought to account are correctly, promptly and regularly assessed, realised and credited to the account of the Fund of the Panchayat Samiti or the Zila Parishad. Rule 47(1) of the Rules provides that it is the duty of the EO to see that the revenue collected is correctly and promptly brought to account and there is no leakage. The EO/ CEO should see that all adequate measures are taken and they should arrange to have test inspections of the accounts of the receipts carried out. Rule 2.2 of Punjab Financial Rules (PFR) Vol-I provides that (i) every officer receiving money on behalf of Government should maintain a cash book and (ii) all monetary transactions should be entered in the cash book as soon as they occur which should be attested by the head of the office in token of check. Rule 2.4 of PFR Vol-1 provides that at the close of the day while signing the cash book, the head of the office should see that the departmental receipts collected during the day are credited into the

Government account on the same day or on the morning of the next day. Further, Rule 4.1 of PFR provides that the Government controlling officers should see that all sums due to Government are promptly and regularly assessed, realised and credited into treasury/bank. Government of Punjab (Department of Rural Development and Panchayats) was allotting funds[21] to the Panchayat Samitis out of the Liquor Cess collection to meet the expenses of salaries/Contributory Provident fund to the extent the collected revenue of Panchayat Samitis fell short of their expected expenditure on salaries.

(a) The Executive Officer, Panchayat Samiti (EOPS) Batala had rented out 93 shops[22] to shopkeepers. Test check of records (October 2021) of the Samiti showed that no lease deed or rent agreement was executed with the shopkeepers. The Panchayat Samiti did not know the covered area of each shop rented out. Audit observed that the Panchayat Samiti did not maintain the cash book for the period June 2013 to June 2014 and from 21.05.2016 to 21.04.2017. Moreover, rent collection register(s), counterfoils of receipt books, details of collected rent and stock register of receipt books[23] for the period April 2012 to August 2017 were also not maintained/ available with the Panchayat and were not produced for audit verification. Audit further observed that the shops were rented out on a fixed monthly rent and no rent revision was made since 2012 except for shops at Batala Club. As the basic records in support of rent collected from the shopkeepers was not maintained/available, Audit enquired (October 2021) about this from EOPS. In response, EOPS provided receipts amounting to ₹ 46.71 lakh issued to the shopkeepers by obtaining the original receipts from the shopkeepers. This indicates the lackadaisical approach of the Department in maintaining official records.

Audit calculated that out of ₹ 46.71 lakh collected by the Samiti by way of rent, during April 2012 to August 2017, only ₹ 8.86 lakh was accounted for in the cash book. The Samiti did not provide to Audit the records of accountal of the balance ₹ 37.85 lakh nor was any proof submitted of the sum being deposited in the Bank account of the Samiti. It is suspected that this Government money has been misappropriated.

While admitting to the facts, the EOPS stated (January 2023) that First Information Report (FIR) of the missing records would be lodged on receiving the approval of Additional Deputy Commissioner (D)-cum-Chief Executive Officer, Zila Parishad, Gurdaspur. He added that recovery would be made from the delinquent officials as per instructions of the competent authority.

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21 On the basis of demand raised by the Panchayat Samitis.

22 48 shops in Jailghar Market, nine shops in Office Complex Batala, 35 shops on Dera Road Batala and Batala Club.

23 As provided in the Gram Panchayat Act, 1994.

The reply was not acceptable in Audit as action in the case was yet to be initiated despite the matter being in knowledge at least since September 2017. This defalcation happened because the DDO/EOPS did not ensure the maintenance of prescribed records - Cash Book, rent collection register, counterfoils of receipt books, details of collected rent and stock register of Receipt Books and failed to adopt the prescribed monitoring/checks leading to suspected misappropriation of ₹ 37.85 lakh.

(b) Test check (April 2022) of records in the office of Chief Executive Officer, Zila Parishad, Moga revealed that the balance of ₹ 97,980/- on 27.08.2019 and ₹ 20,984/- on 24.02.2020 lying in the Cash Book were not carried over by the dealing clerk/writer concerned of the Cash Book. Audit further noticed that neither this amount was deposited in the bank account of the Zila Parishad Office nor any counterfoil in respect of deposit of this amount was found on records. Moreover, the Drawing and Disbursing Officer (DDO) while signing the cash book at the close of respective months, did not notice or point out this omission, which indicates the failure of the DDO to adopt the prescribed checks as provided in the Rules *ibid*. As a result, suspected misappropriation of ₹ 1.19 lakh had occurred.

While admitting to the facts the Deputy Chief Executive Officer (DCEO) stated (January and April 2023) that the official concerned was transferred to Zila Parishad, Malerkotla without handing over the charge of cash book/related records. The matter had been taken up with the Secretary, Zila Parishad for taking necessary action against the concerned official. It was also added that the official had deposited ₹ 20,984/- on 25.01.2023 and balance ₹ 97,980/- on 01.02.2023. However, the fact remains that failure of the DDO to ensure the observance of Rules had facilitated the suspected misappropriation of ₹ 1.19 lakh, though the due amount had been recovered from the official concerned after being pointed out by Audit.

Thus, non-adherence to codal provisions by the DDOs had resulted in suspected misappropriation of ₹ 39.04 lakh which put undue burden on State finances as the Panchayat Samiti/Zila Parishad would have to make additional demand from the State Government.

Recommendation: The Department should ensure the adherence of checks/monitoring as provided in the Rules through EOPS/CEO Zila Parishads to avoid the re-occurrence of misappropriation of State funds and initiate appropriate legal action against the delinquent officers/ official(s).

The matter was referred (February 2023) to the Government; their reply was awaited (February 2024).

TECHNICAL EDUCATION AND INDUSTRIAL TRAINING DEPARTMENT

6.8 Undue favour to Concessionaire

The Department failed to cancel the concession agreement and forfeit the available performance security of a PPP Concessionaire. The Concessionaire continued running the polytechnic college without paying concession fee and interest which had accumulated to ₹ 7.07 crore as of April 2022.

The Department of Technical Education and Industrial Training (Department), Government of Punjab entered into (May 2007) a concession agreement with Guru Teg Bahadur Charitable Health and Education Awareness Society[24] and another person, who formed a Joint Venture (Concessionaire) for development, upgradation and management of a polytechnic college at Anandpur Sahib on Public-Private-Partnership (PPP) mode[25] for a period of 33 years effective from the date of academic operations. The Concessionaire was to:

- provide a performance security of ₹ 20.00 lakh or an amount equal to the annual concession fee (₹ 25.00 lakh), whichever was higher, in the form of a bank guarantee; and
- pay annual concession fee of ₹ 25 lakh with effect from the operation date. If the academic fee increased, the concession fee was to be increased by 10 *per cent* of the incremental academic fee receipts from (upto) 300 students. If the number of students exceeded 300, the concessionaire was to share with the Concessioning Authority (Department) 10 *per cent* of the incremental academic fee.

Further, the concession fee was payable by the Concessionaire to the Department, in advance by 15 April of each year of academic operations. In the event of delay of up to four weeks, the Concessionaire was liable to pay interest at the rate of SBI medium term prime lending rate plus four *per cent per annum* and beyond such period of four weeks, it would be a 'Concessionaire Event of Default', which would provide the Department the right to forfeit the performance security and terminate the agreement.

Audit observed (July 2020) from records in the office of the Director, Technical Education and Industrial Training, Punjab and subsequent information collected (up to January 2023) that the Concessionaire started

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24 A Society registered under the Societies Registration Act, 1860.

25 Through Punjab Infrastructure Development Board (PIDB) – a nodal agency established under the Punjab Infrastructure (Development & Regulation) Act, 2002, for implementation of Public-Private-Partnership (PPP) Projects in the State.

academic operations of the college with effect from April 2009. However, against the due concession fee of ₹ 3.25 crore[26] for the period from April 2009 to April 2022, the Concessionaire deposited only ₹ 1.15 crore intermittently between April 2010 and April 2015. It was further noticed that though the Concessionaire had defaulted in paying the required concession fee in the year 2009-10 itself, the Department did not treat it as 'Concessionaire Event of Default' and also did not cancel the agreement. The performance security (deposited on 9 December 2006) of ₹ 20.00 lakh was not encashed for violation of agreement and, on the contrary, was allowed to expire on 10 December 2011.

The Department ultimately terminated the concession agreement in February 2018 and placed the institute in no-admission zone though it remained operational beyond the date of termination of the concession agreement to run/complete 2nd and 3rd years' classes (i.e. up to academic session 2019-20). The Department took the possession of the polytechnic buildings afterwards in March 2023 from the Concessionaire. The recoverable amount had accumulated to ₹ 7.07 crore (concession fee: ₹ 2.10 crore and interest: ₹ 4.97 crore) as of April 2022 (***Appendix 6.2***) whose recovery is uncertain and is a loss to the Government.

The Department informed (May 2023) that possession of the polytechnic buildings had been taken in March 2023 but did not furnish the status/reply regarding recovery of the due amount from the Concessionaire.

Recommendation: The State Government may take steps to recover the outstanding amount of concession fee along with interest from the Concessionaire; and ensure adherence to the provisions of concession agreements to prevent recurrence of such cases. The Government may also fix responsibility of its officials/officers for the lapse of the bank guarantee of ₹ 20 lakh received towards performance security, allowing the Concessionaire to run the college despite non-payment/delayed payment of due concession charges since 2009-10; non-cancellation of the concession agreement by invoking the 'Concessionaire Event of Default' clause and non-taking over the Government property in time.

The matter was referred (February 2022) to the State Government; their reply was awaited (February 2024).

[26] The Department did not provide information about increase in academic fee, if any, from April 2010 onwards, rather they had intimated that number of students did not exceed 300 in any academic year since April 2009-10.

6.9 Non-deduction of licence fee

Shaheed Bhagat Singh State University, Ferozepur did not deduct licence fee amounting to ₹ 1.09 crore for the period April 2016 to March 2022 from salary of the allotees of accommodation.

The Government of Punjab (GoP) decided (August 2009) that the rate of licence fee to be charged from its employees, who had been allotted government accommodation, shall continue to be five *per cent* of the basic pay and non-practising allowance, wherever applicable, as admissible under the Punjab Civil Services (Revised Pay) Rules, 2009 in the revised pay structure or the standard rent, whichever is less.

Shaheed Bhagat Singh College of Engineering and Technology, Ferozepur, established (1995) as a Society, was upgraded to the status of a technical campus and renamed (2011-12) as Shaheed Bhagat Singh State Technical Campus (SBSTC). Subsequently, the institute was accorded (April 2021[27]) the status of State University by GoP and was renamed as Shaheed Bhagat Singh State University (SBSSU). The SBSSU did not enact its own byelaws, rather it continued being governed by the Society byelaws (November 2022). As per Rule 12.8 of the byelaws, in every case, the allottee[28] shall be deemed to be a licencee. Rule 12.10 of the byelaws required an allottee to pay rent at the rates fixed by the Society from time to time which shall be deducted from the salary of the allottee. Further, the Board of Governors of SBSTC (now SBSSU), in its 21st meeting, had decided (July 2015) to charge licence fee as per policy of the State Government.

Test-check of records (September 2021) of SBSSU for the period from April 2016 to March 2021 and subsequent information obtained for the year 2021-22 showed that though SBSSU was not paying House Rent Allowance (HRA) to the employees who had been allotted accommodation by the University, it was not deducting licence fee at the rate of five *per cent*[29] from the salary of the allottees, in non-observance of the extant orders. This resulted in non-deduction of licence fee amounting to ₹ 1.09 crore[30] from 103-105 allottees during the period 2016-2022[31] .

The Registrar, SBSSU stated (April 2023) that the University had started deduction of licence fee at the rate of five *per cent* of the basic pay with effect from July 2022 and recovery thereof for the previous period from the salary at

[27] Vide The Shaheed Bhagat Singh State University Act, 2021 (Punjab Act No. 10 of 2021).

[28] Employee who has been allotted accommodation.

[29] Standard rent has not been determined by SBSSU.

[30] Salary for the period November 2020 to March 2021 had not been disbursed to the staff except for five employees who had retired.

[31] SBSSU may look into the cases prior to April 2016 at their own level.

the rate of ₹ 1,000/- per month from October 2022 onwards with the approval of the Board of Governors.

Recommendation: The State Government may impress upon all the departments/autonomous bodies concerned to ensure compliance of instructions/codal provisions to prevent recurrence of such cases.

The matter was referred (December 2022) to the State Government, their reply was awaited (February 2024).

WATER RESOURCES DEPARTMENT

6.10 Unfruitful expenditure

Failure of the Department to ensure hindrance-free site prior to commencement of work and non-observance of codal provisions resulted in unfruitful expenditure of ₹ 1.84 crore on incomplete work.

Paragraph 2.92 of Public Works Department (PWD) Code provides that no work should be commenced on land which has not been duly made over by the responsible civil officers. The Sirhind canal, off-taking from Ropar headworks passes, among others, near village Kheri Salabatpur in District Ropar at RD 37000-39500. The alignment of Sirhind canal was diverted (1963) at RD 37500 to the right side towards the village Kheri Salabatpur to construct piers for a super-passage[32] in the bed of Sirhind canal. This work was stopped midway[33] and the Sirhind canal continued to flow through the diverted passage and eroded the right bank of the canal at the point of diversion.

Audit of the records (August 2022) in the office of the Executive Engineer, Ropar Headworks Division, Ropar, (EE) and further information gathered (February 2023) disclosed that the Deputy Commissioner, Ropar, on the request (April 2019) of the panchayat as well as residents of village Kheri Salabatpur, accorded (December 2019) administrative approval to the estimate of the work of "Maintenance of Sirhind Canal between RD 37000-39500 by straightening and strengthening of embankment near village Kheri Salabatpur" in Ropar block under MGNREGS and the Chief Engineer, Canals sanctioned (March 2020) the work technically for ₹ 3.66 crore.

[32] Proposed to pass discharge of two rivers namely 'Patiala ki Rao' and 'Jayanti ki Rao' in Sutlej River flowing on right of Sirhind Canal as a flood control measure.

[33] The work was stopped midway due to proposal of construction of small dams on the rivers of Patiala ki Rao and Jayanti ki Rao under the Kandi Area Development scheme. The work was started in the year of 1963.

	
Prior to execution of work (April 2020)	**After execution of work (August 2022)**

Source: Google Earth Pro at coordinates: North 30o54'40.57" and East 76o27'54.53"

In response to the request (June 2019) of the EE to remove 230 trees at the site of alignment of the canal, the District Forest Divisional Officer, Ropar intimated the reserve price of trees as ₹ 2.53 lakh in March 2020 and allowed removal of the trees in question with the approval of the competent authority of canal administration. Audit observed that the EE, even before seeking approval of the competent authority for removal of trees, commenced the work in May 2020. After completing 80 *per cent* of the work at a cost of ₹ 1.84 crore[34] (₹ 1.31 crore on labour and ₹ 0.53 crore on material), the work had to be stopped midway (February 2021) on the plea/grounds that NOC for removal of trees falling in the way of the proposed alignment of canal was awaited. The EE corrected his earlier assessment in June 2021 and requested the Forest Department to now remove 92 trees that were hindering the alignment of Sirhind canal, which was still awaited (April 2023).

Audit observed that it was within the notice of EE that the trees were hindering the alignment of the canal and were required to be removed, yet the work was commenced and had to be held up after incurring an expenditure of ₹ 1.84 crore for two years even though the EE himself was responsible to obtain approval from the competent authority of canal administration for removal of the trees in question.

The Department stated (May 2023) that a joint inspection with the Forest Department for finalising the cutting of 92 trees was made in March 2023 and the case submitted to the higher authorities for approval which was still awaited (April 2023). The reply was not acceptable because the action of the EE to commence the work without making the land free from all encumbrances was not only in departure from the codal provisions but also led to unfruitful expenditure of ₹ 1.84 crore for the last two years as the alignment of Sirhind canal at RD 37500 could not be straightened as envisaged. The State Government endorsed (June 2023) the departmental reply.

Recommendation: The Department should ensure adherence to codal provisions.

[34] The payment was made by the Project Officer, MGNREGS on muster rolls between May 2020 and February 2021.