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Report of the Comptroller and Auditor General of India on Compliance Audit-I

for the year ended 31 March 2022

SUPREME AUDIT INSTITUTION OF INDIA

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

Government of Punjab

Report No. 1 of the year 2024

Report of the
Comptroller and Auditor General of India
on
Compliance Audit-I

for the year ended 31 March 2022

Government of Punjab
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Preface

This Report of the Comptroller and Auditor General of India on Compliance Audit-I for the year ended 31 March 2022 has been prepared for submission to the Governor of Punjab under Article 151(2) of the Constitution of India and Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The Report contains significant results of the compliance audit of the Social, General and Economic Departments/Autonomous Bodies and State Public Sector Enterprises of Government of Punjab.

The instances mentioned in this Report are those which came to notice in the course of test audit done during the period 2021-22 as well as those which came to notice in earlier years but could not be reported in previous Audit Reports; and instances relating to the period subsequent to 2021-22 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Overview

Overview

This Report contains four Subject Specific Compliance Audit paragraphs *viz.* 'Welfare of Building and Other Construction Workers'; 'Creation, maintenance and utilisation of sports facilities'; 'Operation, repair and maintenance of Hydro Electric Projects' in Punjab State Power Corporation Limited; and 'Management-cum-analysis of Non-Performing Assets and recovery of loans' in Punjab State Industrial Development Corporation Limited and 22 audit paragraphs arising out of compliance audit of Departments and State Public Sector Enterprises involving financial implications of ₹ 1,723.89 crore.

Chapter-I: General

As against the total budget outlay of ₹ 2,27,918.91 crore, the application of resources was ₹ 2,20,031.98 crore during the year 2021-22. The total expenditure[1] of the State increased by 61.98 *per cent* from ₹ 65,576.98 crore to ₹ 1,06,222.30 crore during the period 2017-18 to 2021-22.

Revenue expenditure of the State increased by 54.71 *per cent* from ₹ 62,464.85 crore in 2017-18 to ₹ 96,636.51 crore in 2021-22 and the capital expenditure increased by 240.55 *per cent* from ₹ 2,352.08 crore in 2017-18 to ₹ 8,009.98 crore in 2021-22. The revenue expenditure constituted 80 to 95 *per cent* of the total expenditure while the capital expenditure ranged between three and eight *per cent* during 2017-2022 except for the year 2019-20 when it was 19 *per cent* due to conversion of Ujjwal Discom Assurance Yojana loans amounting to ₹ 15,628 crore into equity capital in Punjab State Power Corporation Limited.

During the period from 2017-18 to 2021-22, the revenue expenditure increased at an annual average growth rate of 12.00 *per cent* whereas revenue receipts grew at an annual average rate of 10.43 *per cent.*

(Paragraph 1.2, Page 2)

An amount of ₹ 28.12 lakh was recovered during 2021-22 by various departments after being pointed out by Audit through Inspection Reports.

(Paragraph 1.4, Page 3)

As of June 2022, 18,729 Inspection Reports containing 64,656 observations (issued up to March 2022) having money value of ₹ 61,065 crore, were outstanding, of which 12,245 Inspection Reports containing 29,272 observations having money value of ₹ 17,200 crore pertained to the period prior to April 2017 *i.e.* more than five years old.

(Paragraph 1.5, Page 4)

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[1] Total of Revenue Expenditure, Capital Expenditure and Loans and Advances.

As many as 317 audit observations involving money value of ₹ 550.14 crore were settled in 52 audit committee meetings held with 68 auditee units under 18 departments during 2021-22.

(Paragraph 1.5.1, Page 5)

Chapter-II: Welfare of Building and Other Construction Workers

The Compliance Audit titled **'Welfare of Building and Other Construction Workers'** showed that needy worker members were denied payments of their benefits despite availability of sufficient funds. The Board spent only ₹ 549.23 crore on welfare schemes despite availability of ₹ 1,783.30 crore during 2019-2022. As many as 62,948 applications seeking financial assistance/benefits of ₹ 103.74 crore under 13 welfare schemes were pending decision with delays of upto 767 days beyond the stipulated period of 180 days. The maximum applications (87.63 *per cent*) sought financial assistance under Stipend scheme. Lack of effective mechanism to register establishments/workers as well as delayed assessment of cess cases were noticed. Due to non-deposit of cheques in time and being dishonored, the Board lost ₹ 6.16 crore. Payment of interim relief of ₹ 143.00 crore was made to 2,38,340 workers who had ceased to be live workers and of ₹ 0.49 crore to 819 workers who had completed 60 years of age. The information systems employed by the Board failed to identify these ineligible members.

Chapter-III: Creation, maintenance and utilisation of sports facilities

The Compliance Audit titled **'Creation, maintenance and utilisation of sports facilities'** showed that the Sports Department's plans to create new sports infrastructure and upgrade existing one were affected due to delay in release of funds, improper management of available funds and non-provision of encumbrance-free sites. Besides, the existing infrastructure was also not properly maintained. The human resources directly related to sports activities were short by 47 *per cent* of the sanctioned strength. The internal control and monitoring mechanism was weak as the requisite number of meetings were not held by Punjab State Sports Council and Punjab State Institute of Sports; and physical verification of sports infrastructure was never conducted.

Chapter-IV: Operation, repair and maintenance of Hydro Electric Projects

The Compliance Audit titled **'Operation, repair and maintenance of Hydro Electric Projects'** in Punjab State Power Corporation Limited brought out shortfall in generation with respect to targets to the extent of 1,175.52 MUs equivalent to ₹ 764.09 crore at three hydroelectric plants.

Transformation losses were above prescribed limit to the extent of 37.32 MUs. Delay in execution of various works resulted in avoidable generation loss of 64.69 MUs valuing ₹ 42.04 crore. Annual maintenance activities undertaken beyond lean period resulted into generation loss of 384.42 MUs equivalent to ₹ 249.88 crore.

Chapter-V: Management-cum-analysis of Non-Performing Assets and recovery of loans

The Compliance Audit titled **'Management-cum-analysis of Non-Performing Assets and recovery of loans' in Punjab State Industrial Development Corporation Limited** revealed delays in taking over the assets of the defaulting units and initiating action against their promoters/guarantors which led to accumulation of Non-Performing Assets of ₹ 17,214.53 crore. Recovery made under various OTS schemes was meagre and as such, the State Government was burdened with payment of guaranteed bonds (₹ 113.38 crore paid and ₹ 366.44 crore pending for payment).

Chapter-VI: Compliance Audit Observations (Departments)

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.

(Paragraph 6.1, Page 73)

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 Public Works Department 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.

(Paragraph 6.2, Page 74)

Goods and Services Tax of ₹ 5.31 crore was not paid against the taxable services received by two educational institutions *viz.* Punjabi University, Patiala; and Sardar Beant Singh State University, Gurdaspur during the period from 1 July 2017 to 31 March 2022.

(Paragraph 6.3, Page 77)

Failure of Home Affairs and Justice Department to take timely/concrete efforts to recover the Government dues from Punjab Dyer's Association resulted into blocking of Government money due to accumulation of lease rent of ₹ 5.54 crore along with penal interest of ₹ 2.33 crore for more than six years.

(Paragraph 6.4, Page 79)

Failure of the Punjab Bus Metro Society to comply with the instructions issued by Government of India for procurement of buses for Bus Rapid Transit System, Amritsar resulted in rejection of the proposal and deprival of the available Central assistance of ₹ 11.00 crore.

(Paragraph 6.6, Page 82)

Technical Education and Industrial Training Department did not invoke 'Concessionaire Event of Default' clause of the agreement to forfeit the performance security and terminate the agreement which was a favour to the Public Private Partnership (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.

(Paragraph 6.8, Page 86)

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.

(Paragraph 6.9, Page 88)

Failure of the Water Resources 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 6.10, Page 89)

Chapter-VII: Compliance Audit Observations (State Public Sector Enterprises)

Punjab State Power Corporation Limited

- Delay in charging capital expenditure of ₹ 3.37 crore on terminated projects in tariff led to interest loss of ₹ 2.31 crore.

(Paragraph 7.1, Page 91)

- Delay in initiating action to get forest clearance leading to Deendayal Upadhyaya Gram Jyoti Yojana projects remaining incomplete and lapse of grant amounting to ₹ 2.44 crore. The Company also made wrongful claim of grant amounting to ₹ 1.57 crore in these projects.

(Paragraph 7.2, Page 92)

- Indecision on the part of the Company to release extension of load to a consumer resulted in losing the opportunity to earn revenue of ₹ 1.87 crore on account of fixed charges.

(Paragraph 7.3, Page 94)

- Delay in issuance of sale confirmation order by the Company resulted in avoidable interest burden of ₹ 1.55 crore.

(Paragraph 7.4, Page 96)

- Multiple connections were released at a single address to firms having same GST number. Company, in the process, lost revenue of ₹ 0.82 crore due to non-clubbing of connections.

(Paragraph 7.5, Page 97)

- Delay in billing of a single point consumer by more than three years and consequential litigation resulted in non-recovery of revenue of ₹ 3.09 crore with associated interest cost of ₹ 2.03 crore.

(Paragraph 7.6, Page 98)

Punjab State Transmission Corporation Limited waived off Late Payment Surcharge of ₹ 67.32 crore recoverable for 2014-2020 resulting in loss of ₹ 37.46 crore on account of financing cost.

(Paragraph 7.7, Page 100)

Punjab State Industrial Development Corporation Limited did not follow the Punjab Civil Services Rules, 2016 for payment of gratuity on retirement of employees leading to excess/irregular payment of gratuity of ₹ 86.26 lakh during the period July 2019 to December 2021.

(Paragraph 7.8, Page 102)

Deficient system for adjustments/refunds of advance payments and delay in the processing of the same in **Punjab State Civil Supplies Corporation Limited, Punjab State Grains Procurement Corporation Limited and Punjab State Warehousing Corporation** resulted in delay in receipt of funds and blocking of funds which led to avoidable interest burden of ₹ 7.39 crore.

(Paragraph 7.9, Page 103)

Punjab State Civil Supplies Corporation Limited

- Violation of the Custom Milling Policy, agreement between the Company and the miller and lapses in monitoring led to embezzlement of paddy valuing ₹ 10.84 crore.

(Paragraph 7.10, Page 105)

- Avoidable payment of wages amounting to ₹ 1.92 crore was made to the Service Provider due to inclusion of imprudent clause in the agreement.

(Paragraph 7.11, Page 107)

Failure of **Punjab State Grains Procurement Corporation Limited** to take up the matter with the State Government for reimbursement of extra expenditure incurred on distribution of wheat in 30 kg capacity bags resulted in extra expenditure of ₹ 21.80 crore.

(Paragraph 7.12, Page 108)

Chapter-I

General

Chapter-I

General

1.1 Introduction

This Report covers matters arising out of the Compliance Audit of the Departments of the State Government and State Public Sector Enterprises (SPSEs). The primary purpose of this Report is to bring to the notice of the Legislature the important results of audit. Findings of audit are expected to enable the Executive to take corrective action as also to frame policies and directives that will lead to improved financial management of the organisations contributing to better governance.

The Report has been organised in seven chapters as under:

- **Chapter-I** contains a brief profile of the State Government with the budget profile for the year 2021-22, the authority for audit, audit jurisdiction, planning and conduct of audit, response of the Government to various audit products namely Inspection Reports, individual observations/paragraphs and follow-up action on Audit Reports.

- **Chapter-II** contains observations in respect of the Subject Specific Compliance Audit on 'Welfare of Building and Other Construction Workers'.

- **Chapter-III** contains observations in respect of the Subject Specific Compliance Audit on 'Creation, maintenance and utilisation of sports facilities'.

- **Chapter-IV** contains observations in respect of the Subject Specific Compliance Audit on 'Operation, repair and maintenance of Hydro Electric Projects' in Punjab State Power Corporation Limited.

- **Chapter-V** contains observations in respect of the Subject Specific Compliance Audit on 'Management-cum-analysis of Non-Performing Assets and recovery of loans' of Punjab State Industrial Development Corporation Limited.

- **Chapter-VI** contains individual observations relating to Compliance Audit of Departments.

- **Chapter-VII** contains individual observations relating to Compliance Audit of State Public Sector Enterprises.

1.2 Budget profile

There are 38 departments[1], 55 autonomous bodies and 49[2] State Public Sector Enterprises (SPSEs) in the State. The status of budget estimates and actual expenditure incurred by the State Government during 2017-2022 is given in **Table 1.1**.

Table 1.1: Budget and actual expenditure of the State during 2017-2022

(₹ in crore)

Expenditure	2017-18		2018-19		2019-20		2020-21		2021-22	
	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals
Revenue expenditure										
General Services	34,091.34	34,499.50	37,493.10	36,930.51	39,449.00	38,614.35	43,540.25	43,253.01	47,421.79	47,239.77
Social Services	19,072.44	15,469.74	20,097.54	18,320.37	21,878.19	19,483.85	24,982.03	21,674.90	29,329.73	25,334.31
Economic Services	15,341.16	11,194.41	21,185.35	17,888.17	18,754.94	14,551.12	17,532.96	15,445.40	20,944.10	20,203.74
Grants-in-aid and Contributions	2,676.96	1,301.20	3,541.98	2,264.66	6,519.95	3,210.32	6,717.05	5,971.31	4,749.91	3,858.69
Total	**71,181.90**	**62,464.85**	**82,317.97**	**75,403.71**	**86,602.08**	**75,859.64**	**92,772.29**	**86,344.62**	**1,02,445.53**	**96,636.51**
Capital expenditure	**4,388.76**	**2,352.08**	**4,871.57**	**2,412.24**	**19,641.30**	**17,827.73**	**6,821.68**	**4,382.32**	**10,078.80**	**8,009.98**
Loans and Advances disbursed	**2,197.12**	**760.05**	**1,602.64**	**1,361.05**	**820.87**	**783.88**	**923.63**	**955.79**	**1,592.76**	**1,575.81**
Repayment of Public Debt (including Ways and Means Advances)	**35,029.64**	**34,969.58**	**38,623.32**	**37,770.93**	**44,632.68**	**39,573.90**	**39,482.08**	**34,633.53**	**22,358.95**	**19,278.55**
Contingency Fund	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Public Account disbursements*	**13,238.24**	**45,525.90**	**18,282.51**	**62,271.76**	**16,014.61**	**64,328.24**	**59,068.32**	**74,470.97**	**91,442.87**	**87,659.49**
Closing Cash Balance	**--**	**488.45**	**--**	**1,324.83**	**--**	**2,125.06**	**--**	**9,247.83**	**--**	**6,871.64**
Total	**54,853.76**	**84,096.06**	**63,380.04**	**1,05,140.81**	**81,109.46**	**276,358.09**	**1,06,295.71**	**1,23,690.44**	**1,25,473.38**	**1,23,395.47**
Grand Total	**1,26,035.66**	**1,46,560.91**	**1,45,698.01**	**1,80,544.52**	**1,67,711.54**	**2,00,498.45**	**1,99,068.00**	**2,10,035.06**	**2,27,918.91**	**2,20,031.98**

Source: Annual Financial Statements and Explanatory Memorandum of the Budget of the Government of Punjab
** Excludes transactions of investment of cash balances, departmental cash in chests and deposits with Reserve Bank of India.*

As against the total budget outlay of ₹ 2,27,918.91 crore, the application of resources was ₹ 2,20,031.98 crore during the year 2021-22. The total expenditure[3] of the State increased by 61.98 *per cent* from ₹ 65,576.98 crore to ₹ 1,06,222.30 crore during the period 2017-18 to 2021-22. Revenue expenditure of the State increased by 54.71 *per cent* from ₹ 62,464.85 crore in 2017-18 to ₹ 96,636.51 crore in 2021-22 and capital expenditure increased by 240.55 *per cent* from ₹ 2,352.08 crore in 2017-18 to ₹ 8,009.98 crore in 2021-22. Revenue expenditure constituted 80 to 95 *per cent* of the total expenditure while capital expenditure ranged between three and eight *per cent* during 2017-2022 except for the year 2019-20 when it was 19 *per cent* due to conversion of Ujjwal Discom Assurance Yojana (UDAY) loans amounting to ₹ 15,628 crore into equity capital in Punjab State Power Corporation Limited.

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1 Social, General and Economic Departments (other than Revenue Departments).

2 Including four Statutory Corporations and 42 Government Companies (including 16 inactive Government companies) and three Government Controlled Other Companies (GCOC) under the audit jurisdiction of the CAG.

3 Total of Revenue Expenditure, Capital Expenditure and Loans and Advances.

During the period from 2017-18 to 2021-22, revenue expenditure increased at an annual average growth rate of 12.00 *per cent* whereas revenue receipts grew at an annual average rate of 10.43 *per cent*.

1.3 Authority for audit

Authority for audit by the Comptroller and Auditor General of India (CAG) is derived from Articles 149 and 151 of the Constitution of India and the CAG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). The CAG conducts audit of expenditure of State Government Departments under Section 13[4] of the CAG's DPC Act. In addition, CAG also conducts audit of other Autonomous Bodies which are substantially financed by the Government under Section 14[5] of DPC Act. Section 16 of the CAG's DPC Act authorises CAG to audit all receipts (both revenue and capital) of the Government of India and of Government of each State and of each Union Territory having a legislative assembly and to satisfy himself that the rules and procedures are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed. Principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts (Amendments), 2020 and Auditing Standards issued by the Indian Audit and Accounts Department.

1.4 Planning and conduct of audit

The audit process commences with a risk assessment of various Departments, Autonomous Bodies, schemes/projects, considering the criticality/complexity of activities, level of delegated financial powers, internal controls, concerns of stakeholders and previous audit findings. Based on this risk assessment, the scope of audit is decided and an Annual Audit Plan is formulated.

After completion of audit, an Inspection Report containing audit findings is issued to the head of the office with the request to furnish replies within four weeks. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Important audit observations pointed out in these Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India which are to be submitted to the Governor of Punjab under Article 151(2) of the Constitution of India.

During 2021-22, compliance audit of 1,339 Drawing and Disbursing Officers (DDO), 26 autonomous bodies and 19 SPSEs of the State was conducted by

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4 Audit of (i) all expenditure from the Consolidated Fund of State; (ii) all transactions relating to Contingency Funds and Public Accounts; and (iii) all trading, manufacturing, profit and loss accounts, balance-sheets and other subsidiary accounts.

5 Several non-Commercial Autonomous/Semi-Autonomous Bodies, established to implement Schemes for employment generation, poverty alleviation, spread of literacy, health for all and prevention of diseases, environment, etc., and substantially financed by the Government, are audited under Section 14.

the office of the Principal Accountant General (Audit), Punjab. An amount of ₹ 28.12 lakh was recovered during 2021-22 by various departments after being pointed out by Audit through Inspection Reports.

1.5 Lack of response of Government to Audit

The Principal Accountant General (Audit), Punjab (PAG), conducts periodic inspection of the Government Departments to test-check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with Inspection Reports (IR) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action.

The heads of the offices are required to comply with the observations contained in the IRs within four weeks from the date of receipt of the IRs. Serious financial irregularities are reported to the heads of the Department and the Government.

As of June 2022, 18,729 Inspection Reports containing 64,656 observations (issued up to March 2022) having money value of ₹ 61,065 crore, were outstanding, of which 12,245 IRs containing 29,272 observations having money value of ₹ 17,200 crore pertained to the period prior to April 2017 i.e. more than five years old. The year-wise position of outstanding Inspection Reports/ observations along with their money value is given in **Table 1.2**.

Table 1.2: Outstanding Inspection Reports/Observations

Particulars	Prior to April 2017	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Inspection Reports	12,245	1,305	1,355	1,526	1,132	1,166	**18,729**
Observations	29,272	5,779	6,728	8,931	6,518	7,428	**64,656**
Money value (₹ in crore)	17,200.06	4,711.26	5,874.61	4,712.88	13,357.08	15,208.91	**61,064.80**

Source: Office records

The purpose of audit is to check whether prescribed rules, laws and procedures are being adhered to, and to highlight cases of non-compliance, systemic weaknesses and failures. The large number of pending IRs and audit observations pending settlement indicate inadequate response to audit observations. The lack of action on these audit observations weakens accountability and raises the risk of loss of revenue. Increasing pendency of audit paragraphs merits urgent attention of the Government for addressing the issues consistently raised by Audit. The departmental officers failed to take action on observations contained in IRs within the prescribed time frame, resulting in erosion of accountability. It is recommended that the Government should ensure prompt and proper response to audit observations.

1.5.1 Departmental audit committee meetings

The Government has set up departmental audit committees to monitor and expedite progress of the settlement of the audit observations contained in the Inspection Reports.

As many as 317 audit observations involving money value of ₹ 550.14 crore were settled in 52 audit committee meetings held with 68 auditee units (AU) under 18 departments[6] during 2021-22.

The Government may ensure holding audit committee meetings at regular intervals with all the Departments.

1.6 Response of Departments to draft Audit Observations

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities as well as on the quality of internal controls in selected departments adversely impacting the success of programmes and functioning of the departments. The focus was on auditing specific programmes/schemes in order to offer suitable recommendations to the Executive for taking corrective action and improving service delivery to the citizens.

The draft audit observations proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Principal Accountant General (Audit) to the Principal Secretaries/Secretaries of the Departments concerned drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the Departments/Government is invariably indicated at the end of such observations included in the Audit Report.

1.7 Follow-up on Audit Reports

The follow-up on Audit Reports have been found to be inadequate as given below:

1.7.1 Non-submission of Action Taken Notes

According to the Rules and Procedure for the Public Accounts Committee (PAC)/Committee on Public Undertakings (COPU), all administrative departments are to initiate *suo motu* action on all Compliance Audit

6 (i) Agriculture (3 AUs); (ii) Cooperation (1 AU); (iii) Defence Services Welfare (1 AU); (iv) Elections (1 AU); (v) General Administration (1 AU); (vi) Higher Education (3 AUs); (vii) Home Affairs and Justice (1 AU); (viii) Information and Public Relations (1 AU); (ix) Power (7 AUs); (x) Printing & Stationery (1 AU); (xi) Revenue, Rehabilitation and Disaster Management (6 AUs); (xii) Rural Development and Panchayats (3 AUs); (xiii) School Education (2 AUs); (xiv) Social Security and Women and Child Development (23 AUs); (xv) Social Justice, Empowerment and Minorities (1 AU); (xvi) Soil and Water Conservation (1 AU); (xvii) Tourism, Cultural Affairs and Museums and Archaeology (11 AUs); and (xviii) Water Supply and Sanitation (1 AU).

Observations and Performance Audits featuring in the Audit Reports of the Comptroller and Auditor General of India, regardless of whether these are taken up for examination by the PAC/COPU or not. They are also to furnish detailed notes, duly vetted by audit, indicating the remedial action taken or proposed to be taken by them within three months of the presentation of the Audit Reports to the State Legislature. In spite of these provisions, the explanatory notes on audit observations of the Reports were being delayed inordinately.

The status regarding non-receipt of Action Taken Notes on the observations included in the Audit Reports of Social, General and Economic Departments up to the period ended 31 March 2023 is given in **Table 1.3**.

Table 1.3: Status regarding non-receipt of ATNs on the paragraphs included in the Audit Reports

CAG Audit Report	Year	Department/SPSE	Date of presentation of Audit Report in the State Legislature	Due date for receipt of ATNs	ATNs pending as of 31 March 2023
Social, General and Economic Departments	2015-16	Finance	29.03.2017	28.06.2017	1
		Revenue, Rehabilitation and Disaster Management			2
	2016-17	Agriculture	22.03.2018	21.06.2018	1
		Tourism and Cultural Affairs			1
		Revenue, Rehabilitation and Disaster Management			2
		Housing and Urban Development			1
		Welfare of SCs and BCs			1
	2017-18	Agriculture	27.02.2020	26.05.2020	1
		Tourism and Cultural Affairs			1
		Finance			1
		Health and Family Welfare			1
		Home Affairs and Justice			2
		Town and Country Planning			1
	2018-19	Civil Aviation	29.06.2022	28.09.2022	1
		Health and Family Welfare			1
		Housing and Urban Development			2[&]
		Personnel			1*
		Home Affairs and Justice			1*
		Public Works (B&R)			1
		Revenue, Rehabilitation and Disaster Management			1
		School Education			1[#]
		Finance			3[#@&]
		Technical Education and Industrial Training			1[@]
		Water Resources			1
		Water Supply and Sanitation			1[&]
		Soil Conservation			1[%]
		Agriculture and Farmers' Welfare			1[%]

CAG Audit Report	Year	Department/SPSE	Date of presentation of Audit Report in the State Legislature	Due date for receipt of ATNs	ATNs pending as of 31 March 2023
	2019-20	Public Works (B&R)	29.06.2022	28.09.2022	3
		Social Security and Women and Child Development			1
		Soil and Water Conservation			1$
		Water Resources			3$
Performance Audit on 'Efficacy of implementation of the Constitution (Seventy-fourth) Amendment Act, 1992'	Report No. 7 of 2021	Local Government	29.06.2022	28.09.2022	29
Performance Audit of 'Direct Benefit Transfer (Cash Transfer)'	Report No. 1 of 2022	Social Security and Women and Child Development	29.06.2022	28.09.2022	28
Performance Audit on 'Outcomes of Higher Education in Punjab'	Report No. 2 of 2022	Higher Education	29.06.2022	28.09.2022	31
Social, General and Economic Departments (State Public Sector Enterprises)	2014-15	Punjab State Civil Supplies Corporation Limited	14.03.2016	13.06.2016	2^
		Punjab State Grains Procurement Corporation Limited			2^
		Punjab State Industrial Development Corporation Limited			1
	2015-16	Punjab State Civil Supplies Corporation Limited	29.03.2017	28.06.2017	2
		Punjab State Grains Procurement Corporation Limited			1
		Punjab Small Industries and Export Corporation Limited			1
		Punjab Agro Industries Corporation Limited			1
	2016-17	Punjab State Civil Supplies Corporation Limited	22.03.2018	21.06.2018	6<
		Punjab State Grains Procurement Corporation Limited			4<
		Punjab Financial Corporation			1
		Punjab Small Industry and Export Corporation Limited			2
	2017-18	Punjab State Transmission Corporation Limited	27.02.2020	26.05.2020	2
		Punjab State Civil Supplies Corporation Limited			1
		Punjab Small Industry and Export Corporation Limited			3

CAG Audit Report	Year	Department/SPSE	Date of presentation of Audit Report in the State Legislature	Due date for receipt of ATNs	ATNs pending as of 31 March 2023
	2018-19	Punjab State Power Corporation Limited	05.03.2021	04.06.2021	9
		Punjab State Civil Supplies Corporation Limited			1
		Punjab State Grains Procurement Corporation Limited			4
		Punjab Small Industry and Export Corporation Limited			1
Performance Audit of 'Pre and Post Ujjwal Discom Assurance Yojna'	Report No. 6 of 2021	Punjab State Power Corporation Limited	29.06.2022	29.09.2022	16
Social, General and Economic Departments (State Public Sector Enterprises)	2019-20	Punjab State Power Corporation Limited			6
		Punjab Agro Foodgrains Corporation Limited			2
		Punjab State Industrial Development Corporation Limited			2
		Punjab State Civil Supplies Corporation Limited			1

Source: Office records

* One observation of the Audit Report 2018-19 pertains to two departments.

One observation of the Audit Report 2018-19 pertains to two departments.

@ One observation of the Audit Report 2018-19 pertains to two departments.

& One observation of the Audit Report 2018-19 pertains to three departments.

% One observation of the Audit Report 2018-19 pertains to two departments.

$ One observation of the Audit Report 2019-20 pertains to two departments.

^ One observation of the Audit Report 2014-15 pertains to two SPSEs.

< One observation of the Audit Report 2016-17 pertains to two SPSEs.

Chapter-II

Welfare of Building and Other Construction Workers

Chapter-II

LABOUR DEPARTMENT

Welfare of Building and Other Construction Workers

Needy worker members were denied payment of their benefits despite availability of sufficient funds. The Board spent only ₹ 549.23 crore on welfare schemes despite availability of ₹ 1,783.30 crore during 2019-2022. As many as 62,948 applications seeking financial assistance/benefits of ₹ 103.74 crore under 13 welfare schemes were pending decision with delays of upto 767 days beyond the stipulated period of 180 days. The maximum applications (87.63 *per cent*) sought financial assistance under Stipend scheme. Lack of effective mechanism to register establishments/ workers as well as delayed assessment of cess cases were noticed. Due to non-deposit of cheques in time and being dishonored, the Board lost ₹ 6.16 crore. Payment of interim relief of ₹ 143.00 crore was made to 2,38,340 workers who had ceased to be live workers and of ₹ 0.49 crore to 819 workers who had completed 60 years of age. The information systems employed by the Board failed to identify these ineligible members.

2.1 Introduction

The Government of India enacted the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 (Act) and Building and Other Construction Workers Welfare Cess Act (Cess Act) in 1996 to regulate the employment and conditions of service of building and other construction workers and to provide for their safety, health and welfare measures across the country. The Act is applicable to every establishment[1] which employs or had employed on any day of the preceding twelve months, ten or more workers in any building or other construction work. The Act *inter alia* mandated constitution of a Building and other Construction Workers' Welfare Board in every State and framing of rules by every State Government to exercise the powers conferred under the Act.

Government of Punjab (GoP), accordingly, notified (October 2008) the Punjab Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2008 (PBOCW Rules) and constituted (April 2009) Punjab Building and Other Construction Workers' Welfare Board (Board) for implementation of the welfare schemes and Rules *ibid*.

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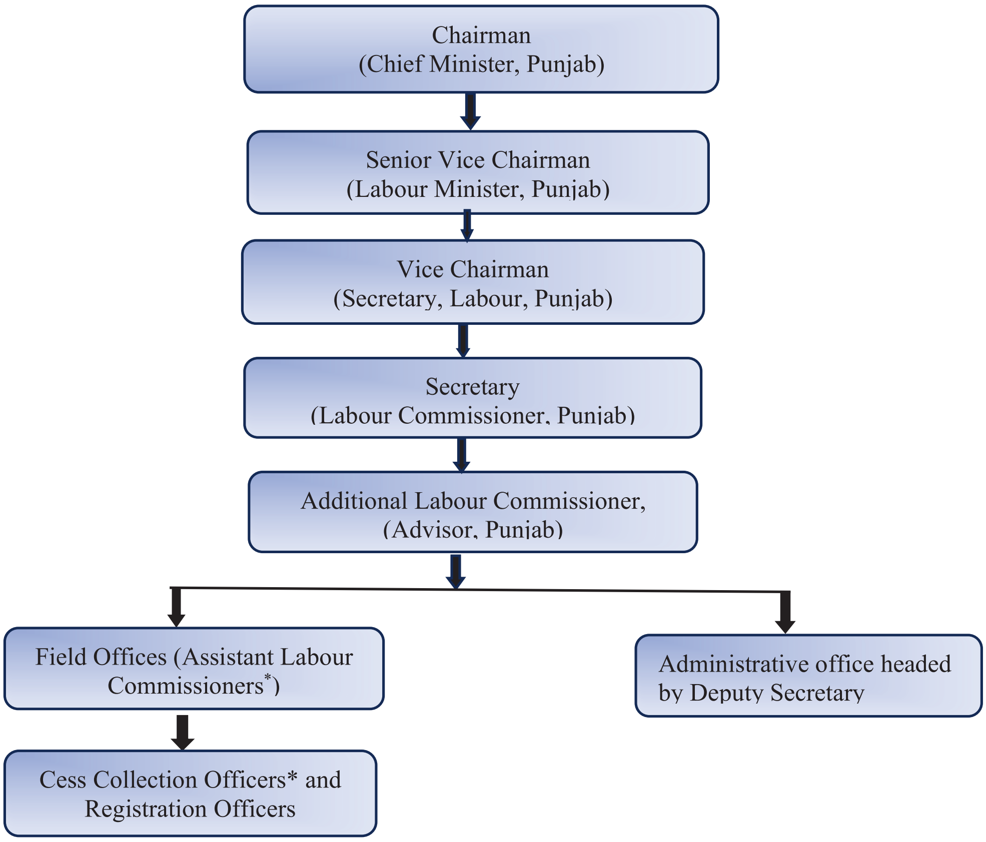
[1] Establishment means any establishment belonging to, or under the control of, the Government, any body corporate or firm, an individual or association or other body of individuals which or who employs building workers in any building or other construction work; and includes an establishment belonging to a contractor but does not include an individual who employs such workers in any building or construction work in relation to his own residence, the total cost of such construction not being more than ₹ 10 lakh.

GoP also implemented (November 2008) the decision to collect labour cess at the rate of one *per cent* on the cost of construction incurred by employers.

The Chief Minister of the State is the Chairman of the Board. The Organisational set-up of the Board is given below:

Organisational Set-up



**** There are 25 Assistant Labour Commissioners of the Labour Department who are also acting as Cess Collection Officers in the Board.***

The Board did not have its own infrastructure and staff to implement and monitor social security schemes and welfare measures for the benefit of building and other construction workers in the State. It functions from the premises of Punjab Labour Welfare Board and its subordinate offices are functioning from the administrative buildings of the State Government. Officers and staff on the key posts are drawn from Labour Department, Government of Punjab as discussed subsequently in paragraph 2.7.3.

The Board had registered 3,45,448[2] construction workers during 2019-2022 and there were 4,98,014 live construction workers as on 31 March 2022.

[2] Female workers: 1,10,859 and Male workers: 2,34,589.

An audit exercise was undertaken covering the activities of the Board during the period 2019-2022, for registration of establishments and beneficiaries; assessment and collection of cess; administration and utilisation of fund; and implementation of welfare schemes in line with the provisions of the Acts and Rules *ibid*. Between October 2022 and March 2023 Audit test-checked the records of the Board, welfare activities undertaken in two[3] selected districts out of 23 districts of the State along with respective assessing offices and designated authorities, in respect of ten[4] out of 23 welfare schemes[5] operated. In the two selected districts, four registered and four unregistered establishments in each selected district were selected for audit. Besides, two works units with highest expenditure in each selected district and five construction works from each unit were also selected. A survey of 200 beneficiaries was also conducted to assess the effectiveness of the welfare schemes operated by the Board. An entry conference for this audit exercise was held (February 2023) which was attended by the Labour Commissioner.

A performance audit of activities of the Board was conducted and included as Paragraph 2.2 of the Report of Comptroller and Auditor General of India on Social, General and Economic Sector (NPSUs) for the year ended 31 March 2018 of Government of Punjab. The Paragraph was discussed (November 2022) by the Public Accounts Committee (PAC) of the State legislature. The subject specific compliance audit (SSCA) also assessed the compliance made by the Board to the PAC's recommendations which have been incorporated under the relevant paragraphs in this Report.

Audit findings

Audit observed deficiencies in identification and registration of establishments and beneficiaries, assessment and collection of labour cess, administration and utilisation of cess fund, implementation of welfare schemes and monitoring mechanism as discussed in the succeeding paragraphs.

2.2 Registration of Establishments

2.2.1 Registration of establishments

Section 7 of the Act provides for registration of establishments within a period of 60 days of the commencement of the Act or within 60 days from the date on which this Act becomes applicable to the establishment.

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[3] (i) Mohali; and (ii) Patiala.

[4] (i) Stipend scheme; (ii) Life and disability (ex-gratia); (iii) Shagun scheme; (iv) Mentally retarded and partially disabled; (v) Balari; (vi) Occupational Disease; (vii) Maternity scheme; (viii) Ayushman Bharat-Sarbat Sehat Bima Yojna scheme; (ix) Housing; and (x) Financial Assistance for Natural Calamity.

[5] Selection was made by adopting Stratified Random Sampling Method through IDEA.

Audit noticed that 1,404 establishments were registered in the State during 2019-2022. Out of these, 181 establishments were registered in the two selected districts during the same period.

Table 2.1: Details of establishments registered during 2019-2022

Sr. No.	Year	Total establishments registered in the State	Number of establishments registered		Total
			Mohali	Patiala	
1.	2019-20	360	47	5	52
2.	2020-21	526	51	17	68
3.	2021-22	518	43	18	61
Total		**1,404**	**141**	**40**	**181**

Source: Departmental data

Rule 222 (1) of PBOCW Rules specifies the manner of making application for registration of the establishments. The application would be submitted in Form XII to the Registering Officer of the area, in which the building or other construction work is to be carried out.

The procedure of registration of establishments was examined and the following deficiencies were noticed:

2.2.2 Mechanism to identify and register the establishments

Audit observed that though 181 establishments were registered in the two selected districts during April 2019 to March 2022, no mechanism was established by the Board through which it could monitor that all projects sanctioned by Government and Planning authorities including local bodies in the State undertaking/authorising construction activities were registered with it.

It was further noticed that regular inspections were not done by the Board/ Labour Department (Department) to identify unregistered establishments.

A mention of this had been made in the Comptroller and Auditor General of India's Report for the year ended 31 March 2018. While discussing the matter, the Public Accounts Committee (PAC) had dropped (November 2022) Paragraph 2.2.6.2 (i) but issued directions that all the establishments may be identified/registered by March 2023 and reported to the Committee. The Board was yet (April 2023) to evolve a mechanism to identify the unregistered establishments and report to the PAC.

The Government admitted the facts and stated (April 2023) that it had issued directions to all the officers concerned of the department to register the establishments and ensure inspections as per Rules to register the eligible workers.

2.2.3 Non-furnishing of prescribed return by the employer

Rule 236 of PBOCW Rules stipulates that every employer of a registered establishment shall send annually a return relating to the establishment in the prescribed format to the Registering Officer not later than 15th of February following the end of each calendar year. In the format, information such as name and address of establishment, name and address of the employer, nature of building work, number of building workers employed during the year, accidents which took place, if any, etc. were required to be provided.

Audit observed that none of the 181 establishments which were registered in the two selected districts during 2019-2022 submitted the prescribed return nor did the Registering Officers call for the same as required under the Rules. Therefore, the registration of eligible unregistered workers could not be ensured. Besides, the Board would not be aware of details of accidents, if any, that may have taken place in a particular establishment.

The Government accepted the audit contention and stated (April 2023) that directions would be issued to the officials concerned to adhere to the rules and the Board would ensure that the annual returns in the prescribed format are sent to the registering officer by all establishments.

2.3 Registration of building and construction workers

Rule 260 of PBOCW Rules provides that every building worker in the age group of 18 to 60 years who was not a member of any Welfare Fund established under any law and had completed a period of 90 days of service during the previous year as construction worker in the State could be registered as beneficiary. A certificate to this effect, from the employer or the contractor that the applicant was a building worker, is required along with application for registration for which a fee of ₹ 25 is to be deposited by the worker at the time of registration along with monthly contribution of ₹ 10 for minimum of one year and maximum five years and thereafter registration is required to be renewed. Audit noticed the following deficiencies:

2.3.1 Data of registered construction workers

Section 15 of the Act stipulates that every employer would maintain a register in such form as may be prescribed showing the details of employment of beneficiaries employed in the building and other construction works and the Secretary of the Board or any other officer duly authorised by the Board could inspect the same without prior notice.

Audit observed that though in all the districts, 1,404 establishments showing 60,502 workers were engaged during 2019-2022, no data of construction workers engaged in these establishments was maintained by the Board nor were inspections conducted by the designated officers of the selected districts to identify and enroll unregistered workers. During physical visit to 13 establishments at Mohali and Patiala, it was noticed that out of 420 workers only three workers were registered with the Board.

The Government replied (April 2023) that directions would be issued to the concerned officers to ensure the proper maintenance of records by the employers showing the details of employed workers in compliance to Section 15 of the Act.

2.3.2 Short registration of targeted left out workers

The Ministry of Labour and Employment, Government of India requested (July 2020) all the State Governments to implement the Mission Mode Project aimed at providing an umbrella of social security to all eligible workers and to empower them to withstand the onslaught of calamities like COVID pandemic.

The first component of the project was to register all left-out construction workers by September 2020 to achieve the target of an estimated total 8,32,799 workers in the State. A special drive/campaign was to be carried out by the Board to register the left out 2,53,587 workers through 12 activities including those prescribed under the Mission Mode Project. However, it was observed that the department was able to register 54,614 workers only during July to September 2020 i.e. only 21.54 *per cent* of the estimated uncovered workers. Thereby, the Department failed to provide the umbrella of social security to at least 1,98,973 construction workers despite the special drive initiated by the Government during the pandemic.

The Government stated (April 2023) that a mobile application *viz;* “Punjab Kirti Sahayak” had been launched in all districts. The reply was not acceptable because the application was launched in October 2021 and no activity was undertaken during July to September 2020 out of 12 activities prescribed under the project.

2.3.3 (i) Irregularities in registration of workers

Section 12(1) of the Building and Construction Workers Act, 1996 lays down that every building worker who has completed either 18 years of age, but has not completed 60 years of age, and who has been engaged in any building or other construction work for not less than 90 days during the preceding 12 months shall be eligible for registration as beneficiary under the Act. Rule 260(3) of PBOCW Rules provide that the applicant building or construction worker shall submit a certificate from the employer or the contractor in Form-XXVII stating that the worker has worked as a construction worker for the period specified in the application.

Audit test-checked registration documents of 73 and 77 workers, registered during April 2019 to March 2022, in Mohali and Patiala respectively and observed that as many as 50 and 61 workers who were beneficiaries of different welfare schemes in Mohali and Patiala respectively, had submitted certificates in Form-XXVII signed by the village sarpanch without requisite details such as period of work, details of employers and details of construction sites where the beneficiaries remained engaged. In spite of lack of requisite information these persons were registered as construction workers. In the absence of particulars required for registration, the eligibility of 111 workers was irregular leading to irregular payment of benefits of ₹ 90.94 lakh[6] (***Appendix 2.1)*** which put undue burden on the scheme funds.

The Government admitted the facts and stated (April 2023) that Form-XXVII, containing all details had been devised and was under approval of the Council of Ministers. The reply was not acceptable as Form-XXVII had already been prescribed under the Act and there was no need to devise a fresh form. Audit is pointing out the fact that workers were registered despite non availability of requisite information in their registration forms.

2.3.3 (ii) Allocation of Universal Access Number to workers

Secretary, Ministry of Labour and Employment, Government of India informed (September 2015) the Hon'ble Supreme Court that Universal Access Number (UAN) to every registered construction worker was being introduced so that if he or she migrates from one State to another, the benefit of registration does not get lost, and the construction worker is not required to get registered in another State.

Non-allotment of Universal Access Number (UAN) to the construction workers was pointed out in paragraph 2.2.6.3 (iii) of CAG's Audit Report, Government of Punjab, for the year ended 31 March, 2018. The PAC dropped the paragraph subject to the condition that the Department must keep constant liaison with GoI for allocation of UAN to all the construction workers of the State.

Audit, however, observed that UAN had not been allocated to construction workers of the State (November 2023). Due to non-allocation of UAN, the following irregularities were noticed in registration of workers.

(a) Irregular registration

- Analysis of online data provided by the Board showed that 250 live construction workers[7], having the same Aadhaar numbers, were allotted separate registration numbers during 2019-2022.

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[6] Through Direct Benefit Transfer- ₹ 41.25 lakh in Mohali and ₹ 49.69 lakh in Patiala.

[7] 66 cases in 2019-20; 54 cases in 2020-21; and 130 cases in 2021-22.

- Similarly, test-check of records/ data of live workers as on 31 March 2022 showed 371 cases where same registration numbers were allotted to two or more construction workers. Of these 371 cases, 110 cases were related to Patiala district.

There is a possibility that due to these lapses in the registration process, possibility of incorrect/double payment to the same live construction workers could take place.

The Government accepted the facts and stated (April 2023) that the list of these beneficiaries with duplicate registration numbers had been sent to the field offices concerned and NIC for specifying the reasons for allotting the same registration number to two or more construction workers.

2.4 Assessment and collection of Labour Cess

Audit observed that there was delay on the part of the Board in assessment of Labour Cess and even the assessed labour cess could not be realised due to failure of the Board to ensure the deposit of labour cess from the cess collecting authorities as well as due to dishonored cheques as discussed in the following paragraphs.

2.4.1 Delayed assessment of cess

Rules 6 (1) and 7 of Cess Rules, 1998 provide that every employer, within thirty days of commencement of his work or payment of cess, as the case may be, furnish to the Assessing Officer, information in Form-I. The Assessing Officer would scrutinise the information and, if he is satisfied about the correctness of the particulars so furnished, would make an order of assessment within a period not exceeding six months from the date of receipt of such information, indicating the amount of cess payable by the employer.

Audit observed that out of 1,404 cases, the Board had assessed only 34 cases during the period 2019-2022. Out of 34 cases, 14 cases pertained to two[8] selected districts. They included nine cases of the period prior to 2019 and five cases pertaining to the period 2019-2022. Audit further noticed that no return in Form-I was furnished by the employers during 2019-2022. Due to delay in assessment of cess, in these 14 cases additional cess amounting to ₹ 2.04 crore was collected after a delay ranging between 149 and 3,675 days, as a result of which the Board lost the opportunity to earn ₹ 0.31 crore ***(Appendix 2.2)*** as interest[9].

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[8] (i) Mohali-13 cases; and (ii) Patiala- one case.

[9] Calculated @ 5.4 % *per annum* which is the average rate of interest earned by Board on its fixed deposits.

Further, in absence of any mechanism with the Board to ensure registration of all the eligible establishments in the State, the Board could not assess the amount of labour cess due from the establishments which were not registered.

The Government accepted the facts and assured (April 2023) to build a proper mechanism so that there would be no delay in assessment of cess.

2.4.2 Non-realisation of labour cess due to dishonoured cheques

Cess is collected by the Cess Collectors[10] from employers, contractors, State Government, Public Sector Undertakings, Municipalities, etc. through account payee cheques. These cheques are handed over to the Board staff posted at district offices for deposit into the bank account.

Audit observed that of the cheques received by the Board on account of labour cess during 2019-2022, 478 cheques amounting to ₹ 6.43 crore were dishonoured. Out of these, 386 cheques for ₹ 6.16 crore were not finally realised due to signature mismatch, being time barred, difference in title etc. as on March 2022, whereas 92 dishonoured cheques amounting to ₹ 0.27 crore were realised (after renewal) with a delay ranging between 34 days and 614 days.

Inaction/delayed action on the part of the Board to deposit the cheques in the Bank account immediately on receipt led to loss of cess/revenue of ₹ 6.16 crore besides loss of interest of ₹ 0.11 crore on account of delayed deposit of realised cheques. Audit further noticed that cess amounting to ₹ 41.45 crore, received in the shape of cheques and drafts during 2019-2022, was deposited in the bank account of the Board with a delay[11] ranging between one to 58 days which resulted in loss of interest of ₹ 0.07 crore. Thus, lapse on the part of the Department resulted in loss of revenue of ₹ 6.16 crore besides loss of interest of ₹ 0.18 crore due to delay in deposit of cheques/drafts.

The PAC, while discussing (November 2022) Paragraph 2.2.11(ii) of the CAG of India's Report for the year ended 31 March 2018, on the same issue had directed to take action against the defaulting officers/officials and apprise the Committee within one month. However, no action in this respect had been taken (April 2023).

While admitting to the facts, the Government stated (April 2023) that directions had been issued to the officers concerned to get the drafts

[10] Labour Officers and Inspecting Officers.

[11] In contravention of Rule 2.4 of Punjab Financial Rules.

revalidated and deposit the same in the Board's account without further delay to avoid any financial loss.

2.4.3 Non-deposit of labour cess by the cess collecting authorities

Government of Punjab, Department of Labour issued (November 2008) instructions for levy of labour cess at the rate of one *per cent* of the cost of construction. The cess collecting authorities would deposit the cess so collected during a month with the Board on or before 10th of the succeeding month.

Scrutiny of records of two selected districts showed that five Urban Local Bodies (ULBs) ***(Appendix 2.3)*** had deducted/collected labour cess of ₹ 15.28 crore but did not deposit the same with the Board during 2019-2022. Non-deposit of labour cess tantamounts to temporary misappropriation and denied the Board of its statutory dues of ₹ 15.28 crore.

The PAC, while discussing Paragraph 2.2.7.4 of the Report of the CAG for the year ended 31 March 2018 had directed to apprise them about details of recoverable amount from various developmental authorities and to take action against them in accordance with rules to recover the amount. However, the recovery was yet (April 2023) to be made.

The Government, while admitting to the facts, stated (April 2023) that the matter had been taken up with the authorities concerned to deposit the pending amount of Labour cess in Board's account. The Government is yet to take action against erring officials/officers in compliance of the PAC recommendations (April 2023).

2.5 Administration and utilisation of Fund

The main source of income of the Board is levy and collection of Cess under Cess Act and registration and contribution fee received from the registered construction workers. The proceeds of the cess collected under the Rules would be paid by the local authority or the State Government collecting the Cess to the Board.

Table 2.2: Details of receipts and expenditure of the Board for the period 2019-2022

(₹ in crore)

Year	Receipts					Expenditure				
	Opening Balance	Cess Collected	Beneficiaries Contribution	Interest Earned	Total Funds available	Expenditure on Welfare schemes	Administrative expenditure	Total Expenditure	*Per cent* of Expenditure against available funds	Closing Balance
2019-20	1,017.46	179.79	3.05	79.33	1,279.63	131.78	3.59	135.37	10.58	1,144.26
2020-21	1,144.26	151.68	8.61	69.21	1,373.76	144.33	3.67	148.00	10.77	1,225.76
2021-22 (tentative)	1,225.76	194.28	16.78	63.11	1,499.93	261.70	4.16	265.86	17.12	1,234.07
Total		**525.75**	**28.44**	**211.65**				**549.23**		

Source: Departmental records

It is evident from the table that:

- Out of available funds of ₹ 1,783.30 crore with the Board, an expenditure of ₹ 549.23 crore (including administrative expenditure of ₹ 11.42 crore) was incurred on welfare schemes for construction workers during 2019-2022 which ranged between 10.58 and 17.12 *per cent* as the Board did not formulate/implement the welfare schemes efficiently as discussed in **paragraph 2.6**.

- Due to short utilisation of available funds, the Board's corpus increased by 21.28[12] *per cent* during 2019-2022. Audit noticed that 62,948 applications seeking financial assistance/benefits under 13 welfare schemes were pending decision with delays upto 767 days beyond the stipulated period of 180 days (as discussed in **paragraph 2.6.5**). These applications involved financial assistance of ₹ 103.74 crore. Thus, needy worker members were denied their legitimate payments despite availability of sufficient funds with the Board. The maximum number of beneficiaries (87.63 *per cent*[13]) sought assistance under Stipend scheme. As a result, the Board failed to provide assistance for education to the wards of the beneficiaries.

Audit noticed irregularities in administration and utilisation of fund as discussed below:

2.5.1(i) Avoidable payment

The Board approved (May 2021) free vaccination to construction workers subject to *ex-post facto* approval of the Board and for the purpose directed to provide requisite funds, out of cess fund, to the Health Department. In the meantime, the Government of India announced (7 June 2021) free vaccines to all States for vaccination of those above the age of 18 years at Government facilities from 21 June 2021. Accordingly, Government of India issued revised guidelines for implementation of National Covid Vaccination Programme wherein vaccine doses were to be procured by Government of India and provided free of cost to State Governments. Further, citizens irrespective of their income status were entitled to free vaccination.

Audit observed that the Board had released ₹ 7.08 crore on 4 June 2021 for procurement of 2,24,850[14] doses to the Health Department for free vaccination to all eligible workers and their dependents above 18 years of age.

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[12] From ₹ 1,017.46 crore on 01 April 2019 to ₹ 1,234.07 crore on 31 March 2022.

[13] 55,164 applications were pending under Stipend scheme out of total 62,948 pending applications as on 31 March 2022.

[14] 2,19,360 Construction workers and 5,490 family members/dependents.

The Health Department started providing free vaccination to all the citizens of the State under National Covid Vaccination Programme from 21 June 2021 onwards. As the vaccine was being provided free of cost by GoI, the Board demanded (10 July 21) refund of the amount and were refunded (October 2021) ₹ 2.49 crore. The Board gave *ex-post facto* sanction to the expenditure but also resolved (December 2021) to take up the matter with the Finance Department for reimbursement of the balance of ₹ 4.59 crore. The refund was pending (April 2023).

2.5.1 (ii) Avoidable burden on scheme fund

The Board adopted (September 2019) model schemes under the instructions of GoI. The welfare scheme for life and disability cover prescribe that the Board may cover registered workers between the ages of 18 and 50 years under Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY). Under the scheme 50 *per cent* of the total contribution of premium[15] was to be paid by the Board and remaining 50 *per cent* to be borne by GoI under the converged PMJJBY/PMSBY Schemes. These schemes provide for insurance coverage of ₹ 2.00 lakh in case of natural death and ₹ 4.00 lakh in case of accidental death, besides disability benefits and compensation to be disbursed in a definite time frame not exceeding 60 days from the date of death of the beneficiary.

Audit observed that the Board had disbursed ₹ 29.92 crore[16] as compensation to 883 families/dependents of the deceased ***(Appendix 2.4)*** during 2019-2022 without any contributory share from GoI because the Board did not take insurance cover for registered workers under the converged PMJJBY and PMSBY schemes. Therefore, the Board could not avail the benefit of grant available from GOI amounting to ₹ 15.62 crore and put avoidable burden on the scheme fund.

The Department stated (December 2023) that the Board considered both the schemes in its 30th meeting (May 2023). It was further stated that PMSBY was found to be beneficial and the idea of dovetailing it with ex-gratia was thought upon and deliberations with the insurance companies were going on to finalise the issue. The reply was not acceptable as the Board in its 26th meeting (13 October 2019) had already adopted the model schemes but failed to implement the schemes despite lapse of more than four years which put avoidable burden on the Fund.

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15 At the rate of ₹ 171/- per worker *per annum*.

16 ₹ 8.84 crore (2019-20), ₹ 9.17 crore (2020-21) and ₹ 11.91 crore (2021-22).

2.5.2 Delayed investment of funds

Rule 269 of PBOCW Rules provides that all moneys belonging to fund may be invested in the Nationalised or Scheduled Banks or in the securities[17] referred to in Clauses (a) to (d) of Section 20 of the Indian Trust Act, 1882.

The Board invested the funds in fixed deposits (FDs) with Nationalised banks as detailed below in **Table 2.3**.

Table 2.3: Details of investment made during 2019-2022

(₹ *in crore*)

Year	Investment in Fixed Deposits	Interest earned	Average Interest Rate (in *per cent*)
2019-20	1,097.18	78.69	7.17
2020-21	1,174.94	68.76	5.85
2021-22	693.95	63.09	5.88

Source: Departmental records

During April 2019 to March 2022, the Board had reinvested 75 FDs with a delay ranging from four to 33 days which resulted in loss of interest of ₹ 0.23 crore.

The Government stated (April 2023) that the delay in reinvestment was due to COVID-19 or otherwise as procedural delay due to holidays falling in the week. The reply was not acceptable as while calculating delays, cases of reinvestments with a delay upto three days were not considered. Delays of more than one month in reinvestment were also observed. The Board may consider, at least, to put an option of reinvestment on its bankers to avoid such cases of delay in reinvestments.

2.6 Implementation of Welfare Schemes

Audit selected 10 out of 23 welfare schemes operated by the Board for detailed examination. However, it was observed that in two[18] of the selected schemes no beneficiary was identified by the Department during 2019-2022. The details of selected schemes are given in **Table 2.4.**

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17 (*a*) in promissory notes, debentures, stock or other securities of any State Government or of the Central Government;
(*b*) in bonds, debentures and annuities charged or secured on the revenues of India;
(*c*) in stock or debentures of, or shares in, Railway or other Companies the interest whereon shall have been guaranteed by the Central Government; and
(*d*) in debentures or other securities for money issued, under the authority of any Central Act or State Act, by or on behalf of any municipal body, port trust or city improvement trust.

18 Under (i) Housing; and (ii) Financial Assistance for Natural Calamity schemes there were no applications.

Table 2.4: Details of selected schemes implemented during 2019-2022

(₹ in crore)

Sr. No.	Name of Selected Welfare Schemes*	State		Mohali		Patiala		Total number of beneficiaries	Total expenditure
		Number of Beneficiaries	Expenditure	Number of Beneficiaries	Expenditure	Number of Beneficiaries	Expenditure		
1.	Stipend Scheme	46,927	63.16	4,164	4.64	13,632	13.89	17,796	18.53
2.	Life and disability	1029	30.05	61	1.44	228	6.58	289	8.02
3.	Shagun Scheme	2012	5.40	84	0.26	97	0.30	181	0.56
4.	Mentally Retarded and Partially Disabled	313	1.50	32	0.06	68	0.14	100	0.20
5.	Balari	81	0.74	13	0.07	26	0.13	39	0.20
6.	Occupational Disease	25	0.25	4	0.02	5	0.03	9	0.05
7.	Maternity Scheme	105	0.14	5	0.004	33	0.02	38	0.024
Total		**50,492**	**101.24**	**4,363**	**6.494**	**14,089**	**21.09**	**18,452**	**27.584**

Source: Departmental data

Ayushman Bharat - Sarbat Sehat Bima Yojna Scheme was implemented at board level with expenditure of ₹ 64.20 crore during 2019-2022.

The audit observations in respect of various schemes are discussed in the succeeding paragraphs:

2.6.1 Payment of interim relief to workers whose registration had ceased

The Board, announced and accorded approval in March and April 2020 for giving the benefit of one-time financial assistance in the shape of temporary Interim Relief (IR) of ₹ 3,000/- to each live registered construction worker in the State. In this connection, Audit observed:

(i) The Board paid 1st instalment of IR cumulating to ₹ 85.91 crore (₹ 3,000 to each beneficiary) to 2,86,353 beneficiaries in March 2020 and 2nd instalment of ₹ 85.91 crore to the same beneficiaries in April 2020. On analysis of the database of the beneficiaries, it was noticed that out of 2,86,353 beneficiaries, 819 beneficiaries had completed the age of 60 years before the date of payment. Hence, payment of IR of ₹ 0.49 crore to these 819 beneficiaries whose registration had ceased on completion of age of 60 years (***Appendix 2.5***) was not in terms of the Act.

The Board stated (April 2023) that the scope of error was high as the office was functioning with 50 *per cent* or even less than the capacity and there was immediate need to disburse relief to construction workers in order to ensure their survival. The reply was not acceptable because the Board failed to check the live status of the beneficiaries from the available data before disbursement of IR to the beneficiaries leading to inadmissible payments to workers whose registration had ceased.

(ii) Analysis of the data further showed that out of 2,86,353 beneficiaries, as many as 2,38,340 beneficiaries (excluding 819 beneficiaries whose registration had ceased) had not submitted certificates showing their engagement in any building or other construction work for ninety days during the preceding twelve months while giving their annual subscription amounts. In the absence of certificate prescribed under Section-14 of the Act, Audit could not draw assurance that payment of ₹ 143.00 crore (***Appendix 2.5***) was made to workers engaged in building and construction activity.

The Government stated (April 2023) that Form 27A of all workers was duly verified during their registration process. But while granting relief, there was no possibility to check Form 27A again as Sewa Kendras were closed due to COVID lockdown. The reply was not acceptable as the beneficiaries mentioned in the para were registered prior to March 2019, but their certificate showing their engagement in any building or other construction work during 2019-20 was not found enclosed with their files. Thus, the IR was paid without ensuring their engagement in any construction work in terms of the Act.

(iii) The Board disbursed three more IR instalments (May, June and November 2021) amounting to ₹ 214.08 crore[19] from the fund during 2021-22 without framing any scheme as suggested by the GoI and Legal Remembrancer (LR).

The Government stated (April 2023) that construction activities could not be started at many construction sites because the impact of Covid was witnessed for long even after its 2nd wave. Construction workers were not getting labour work. The reply was not acceptable because the Board failed to frame any scheme prior to disbursement of such relief.

2.6.2 Non-refund of the contribution to nominee/legal heirs of deceased member

Rule 267 of PBOCW Rules provides that on the death of a member, the amount of contribution standing to his credit, would be given to his nominee. In the absence of a nominee, the amount would be paid to the legal heirs of the beneficiary in equal shares.

Test check of records revealed that though the Board had paid ex-gratia to 883 families of deceased workers during 2019-2022 but no refund of contribution to the legal heirs/nominees was paid till March 2022. Thereby, the bereaved families were deprived of their legitimate payments.

While admitting to the facts, the Government assured (April 2023) of compliance in future.

[19] May and June 2021 at the rate of ₹ 1,500 to 3,29,130 construction workers and November 2021 at the rate of ₹ 3,100 to 3,72,078 construction workers.

2.6.3 Grant of pension without completion of stipulated period of 10 years

In compliance to the directions (July 2018) of the Hon'ble Supreme Court, GoI framed Model Schemes[20] for Building and Other Construction Workers and further instructed all States and UTs to comply with the Model Schemes. Accordingly, the Board adopted the same in September 2019.

GOI directed (September 2019) the State Welfare Boards to formulate pension scheme depending upon their financial capacity. However, pension was admissible to only those registered workers who remained registered for a minimum of 10 years and the State Welfare Board was to issue a certificate to this effect.

Audit observed that the Board made payment of pension at the rate of ₹ 2,000 per month (₹ 3,000 per month w.e.f. 3 December 2021) to 106 beneficiaries despite the fact that the beneficiaries had not completed 10 years' period as registered workers during 2019-2022. The action of the Board was in contravention of GoI directions which resulted in irregular payment of ₹ 0.42 crore.

The Government stated (April 2023) that pension had been given to workers after completion of three years of membership with the Board, as per the decision taken in the 28th meeting of the Board held on 03.12.2021. The reply was not acceptable as the Board had amended (December 2021) the adopted Model Welfare Schemes of GoI but did not get it ratified from the Government.

Responsibility may be fixed on the defaulting officials/officers for irregular payment made, in contravention of GoI directions.

2.6.4 Irregular payment to unregistered workers

Section 11 of the Act provides that every building worker registered as a beneficiary would be entitled to the benefits provided by the Board.

However, audit observed that in contravention of *ibid* provision of the Act, the Board paid (November 2021) ₹ 0.06 crore as ex-gratia to the family members of three unregistered workers who died in an accident. The payment was also against the advice[21] (October 2020) of Department of Legal and Legislative Affairs.

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[20] (i) Life and disability cover; (ii) Health and maternity cover; (iii) Education; ((iv) Housing; (v) Skill development; (vi) Awareness programme; and (vii) Pension.

[21] The Department of Legal and Legislative Affairs advised on 17 October 2020 that only those workers are eligible for benefits under the scheme who got themselves registered under Section 12 of the Act.

The Government stated (April 2023) that the requisite amount was disbursed to the family members of unregistered workers as per decision (December 2021) of the Board. The reply was not acceptable because the decision of the Board was against the provisions of the Act.

2.6.5 Delayed payments under welfare schemes

The Hon'ble Supreme Court directed (January 2010) that benefits envisaged in the welfare schemes in operation by the Boards should be extended to the registered workers within a reasonable time frame, preferably within six months.

- Test check of records in the two selected districts showed that the nominees in 186 and 48 cases of deaths in Patiala and Mohali respectively were paid ex-gratia grant under the life and disability scheme after a delay ranging between 26 and 1,568 days beyond the period of six months, during 2019-2022.

- Similarly, delay of 73 and 1,264 days in release of scheme benefits was noticed in the following schemes:-

Sr. No	Name of Scheme	No of beneficiaries	Delay in making payment (range in days)
1.	Shagun Scheme	73	114 to 1264
2.	Occupational Disease	4	73 to 540
3.	Balari	5*	73 to 675

Source: Departmental records

****In addition to this payment to 08 beneficiaries was under process even after lapse of 711 days in selected districts***.

The Government attributed (April 2023) delayed disbursement under the welfare schemes to the process which took time to resolve the issues with the applications, Covid-19 and due to shortage of staff. The reply was not acceptable because in 199 out of 316 cases, the delay ranged between one year to as much as four years (after giving allowance of 180 days) was noticed.

2.7 Lack of monitoring mechanism

2.7.1 Shortfall in conducting meetings of the Board

Rule 247 of PBOCW Rules provides that the Board would ordinarily meet once in six months to monitor the activities relating to welfare schemes provided that the Chairperson may, within 15 days of the receipt of a requisition in writing from not less than one third of the members of the Board, call a meeting earlier than six months.

Audit observed that against the target of six meetings during 2019-2022, only three meetings were conducted Audit observed that as many as eight[22] out of 23 welfare schemes run by the Board, which did not attract any applications, were never reviewed to judge their relevance and efficacy for continuation by the Board.

The Government took note (April 2023) of the issue.

2.7.2 Meetings of State Advisory Committee not held

Rule 209 of PBOCW Rules provides that the State Government shall constitute a committee to be called the State Building and Other Construction Workers' Advisory Committee (SAC) to advise the State Government on such matters arising out of the administration of this Act as may be referred to it. As per the conditions of notification of the formation of SAC, the Committee had to meet at least once in three months or at such intervals as considered necessary by the Chairman.

Audit observed that SAC had not held any meeting since inception (October 2017).

The Government stated (April 2023) that the process had been started to re-constitute the State Advisory Committee at the level of Administrative Department. Compliance to this effect was awaited (April 2023).

2.7.3 Manpower

Section 19(1) of the Act provides that the Board would appoint a Secretary and such other officers and employees as it considers necessary for the efficient discharge of its functions.

Audit observed that against the sanctioned strength of 186 posts in various cadres, 163[23] personnel were in position as on March 2022 ***(Appendix 2.6).*** The Commissioner of Labour department is also acting as Secretary of the Board and Assistant Labour Commissioner is Deputy Secretary (Welfare). The field functions of the Board were discharged by Inspectors of Labour Department in addition to their regular charge.

The dual charge held by officers of Labour Department had the consequential effect of non-registration of workers and delayed/non assessment of cess cases (as discussed in **paragraphs 2.3.1 and 2.4.1** above).

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22 (i) Silicosis Scheme; (ii) Urban Health Kiosk; (iii) Skill Development and vocational Education; (iv) Cycle scheme; (v) Housing Scheme; (vi) Labour shed Scheme; (vii) Financial Assistance for natural calamity; and (viii) Financial assistance to meritorious wards.

23 The posts are filled through outsourcing staff.

While admitting the facts, the Government assured (April 2023) to make efforts for filling these posts at the earliest.

2.8 Findings of Survey

Audit visited (February-March 2023 and December 2023) seven registered[24] and six unregistered[25]establishments along with the Labour Inspectors concerned and 420 workers were interviewed about the welfare schemes. The findings are discussed below: -

(i) Survey of establishments

- Out of 420 only three workers were found registered.
- 58 workers were found to be aware about the welfare schemes.
- None of the workers had availed the benefit of the welfare schemes.
- 49 workers had attended the camps organised for registration and awareness about the welfare schemes.
- Out of 13 establishments, canteen facility in six, creche facility in two and medical assistance in six establishments was available.

(ii) Survey of beneficiaries

Out of 200 selected beneficiaries, 131[26] were also surveyed[27] for evaluating the activities of identification and registration of beneficiaries and delivery of services by the Board. It was observed that amongst these 131[28] surveyed beneficiaries, 21 were not construction workers though they were registered as construction workers with the Board.

2.9 Conclusion

Lack of effective mechanism to register establishments/workers as well as delayed assessment of cess cases were noticed during audit. Due to non-deposit of cheques in time the Board lost ₹ 6.16 crore on account of dishonoured cheques; besides, it failed to recover ₹ 15.28 crore from cess collecting authorities.

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24 (i) Noble Dream project Pvt. Limited; (ii) Jubilee junction; (iii) Usha Polimar; (iv) Consort Builders Pvt. Ltd.; (v) ACB Infra, HPL Galleria; (vi) Larsen & Tubro Ltd.; and (vii) Colossal Warehouse and Logistic Pvt. Ltd.

25 (i) Grewal Eye Institute; (ii) KLG Infra; (iii) Surya Contractor Pvt. Ltd; (iv) Avancer Infra Solution LLP; (v) Kuldeep Singh; and (vi) Narander Kumar.

26 69 (12 in Patiala and 57 in Mohali) workers could not be reached.

27 The survey was conducted for evaluating the performance of the Board. A questionnaire was devised for this purpose, beneficiaries were consulted telephonically as well as personally for enquiring about identification process adopted by the Board, registration of beneficiaries, scrutiny of their applications, and grievances of beneficiaries, if any.

28 Includes 101 beneficiaries telephonically contacted.

Needy worker members were denied payment of their benefits despite availability of sufficient funds. As many as 62,948 applications seeking financial assistance of ₹ 103.74 crore were pending decision with delays of upto 767 days. The Board spent only ₹ 549.23 crore on welfare schemes despite availability of ₹ 1,783.30 crore during 2019-2022. The maximum applications (87.63 *per cent*) sought financial assistance under Stipend scheme. Implementation of schemes was inefficient as the Board failed to identify any beneficiary in eight out of 23 welfare schemes. The Board, in contravention of Rules, released inadmissible interim relief of ₹ 0.49 crore to 819 workers who had completed of 60 years of age. Payment of ₹ 143.00 crore was made to 2,38,340 workers who had ceased to be live workers. The information systems employed by the Board failed to identify these ineligible members. Monitoring mechanism was ineffective.

2.10 Recommendations

The State Government/Board may:

- *develop a mechanism for sharing of information regarding permissions granted by local bodies/area development authorities for undertaking construction activities for prompt registration of the establishments/workers;*
- *develop a mechanism for integration of accounts of cess collecting authorities with the accounts of the Board for automatic transfer and reconciliation of labour cess;*
- *conduct a proper survey to enroll more establishments as well as encourage workers for registration to enable them to seek benefits under welfare schemes;*
- *ensure the utilisation of funds as stipulated in the welfare schemes to provide benefits to the desirous and needy worker members, keeping in view the available resources;*
- *employ and make use of information technology tools to bring transparency in its working, maintain data and record of workers, contractors and builders to ensure compliance with rules of the schemes; and*
- *strengthen the monitoring mechanism and hold timely meetings of the Board/State Advisory Committee.*

Chapter-III

Creation, maintenance and utilisation of sports facilities

Chapter-III

SPORTS AND YOUTH SERVICES DEPARTMENT

Creation, maintenance and utilisation of sports facilities

The Department's plans to create new sports infrastructure and upgrade existing ones were affected due to delay in release of funds, improper management of available funds and non-provision of encumbrance-free sites. Besides, the existing infrastructure was also not properly maintained. The human resources related to sports activities were short by 47 *per cent* of the sanctioned strength. The internal control and monitoring mechanism was weak as the requisite number of meetings were not held by Punjab State Sports Council and Punjab State Institute of Sports and physical verification of sports infrastructure was never conducted.

3.1 Introduction

'Sports' as a subject matter forms part of the State list and therefore it is the responsibility of the State to legislate, regulate and make efforts for the development of sports. The Government of Punjab, to cement the State's eminent position in the national sports arena, had decided as early as in the year 1975, to set up an independent Department of Sports.

Towards achieving excellence in sports, two bodies *viz.* Punjab State Sports Council (PSSC) and Punjab State Institute of Sports (PIS) were set up in the State. The PSSC (set up in 1971 and reconstituted in 1993) is an advisory and developmental body on matters connected with development of sports including infrastructure, equipment and for providing grants and assistance, both physical and financial, to sportspersons and various bodies/organisations connected with sports. The PIS (set up in 2015) is the principal sports policy formulating body in the State. PIS aims to create long-term athlete development (LTAD) programmes and is responsible for grooming and nurturing players of international standards from the State by providing, supervising and maintaining suitable sports facilities at various centres of excellence (CoE) established for the purpose in the State.

The Department of Sports and Youth Services (Department) notified (March 2019[1]) the State Sports Policy, 2018. The policy aimed at spreading awareness about sports and making sports accessible to all sections of the society.

The Principal Secretary, Department of Sports and Youth Services, is the administrative head at Government level. The Director, Sports is the head of

[1] Sports Policy to be effective from 1 April 2018.

the Department assisted by District Sports Officers at district level. The Chief Minister, Punjab and Principal Secretary, Department of Sports and Youth Services are the President and Vice-President of PSSC respectively. The Chief Minister, Punjab is also the Chairman of PIS.

With a view to check the extent of implementation and achievement of the goals set out for the State in the Punjab Sports Policy, 2018 and creation as well as upgradation of existing sports infrastructure in the State, an Audit exercise was conducted (October 2022 – February 2023) covering the activities of the Department during the period April 2019 to March 2022. An entry meeting was held (October 2022) with the Director (Sports) Punjab wherein the audit scope, criteria and objectives were discussed while the exit meeting took place in May 2023 to discuss the audit findings. The replies of the Department and Government of Punjab received (May and June 2023) to the audit observations have been suitably incorporated in the paragraph.

Audit test-checked the records of the offices of the Director Sports (Director), PSSC, PIS and 6[2] out of 23 districts (27 *per cent*) including three[3] Centres of Excellence (CoE) set up under PIS. Besides, 15[4] out of 75 projects/works (inclusive of five projects in three selected districts[5]) for creation and upgradation/repair of existing sports infrastructure taken up/in progress between April 2019 and March 2022 were also test-checked **(*Appendix 3.1*)**. Further, in order to assess the adequacy of infrastructure and other facilities to the sportspersons, joint physical verification of 11 sports infrastructure was conducted and 50 coaches and 133 sports persons were interviewed in six selected districts.

Audit findings

3.2 Planning and Financial Management

The Directorate of Sports had been preparing annual plans in respect of the Department, PSSC and PIS, besides preparing a strategic plan for the period 2019-2023, based on the demand received from the respective implementing bodies/field offices. However, the annual plans and strategic plan were not chalked out for creation of envisaged sports infrastructure in line with the Sports Policy, 2018, as discussed in **paragraph 3.3**.

The flow of funds received from the Government of Punjab (GoP) and Government of India (GoI) is depicted in **Chart 3.1**.

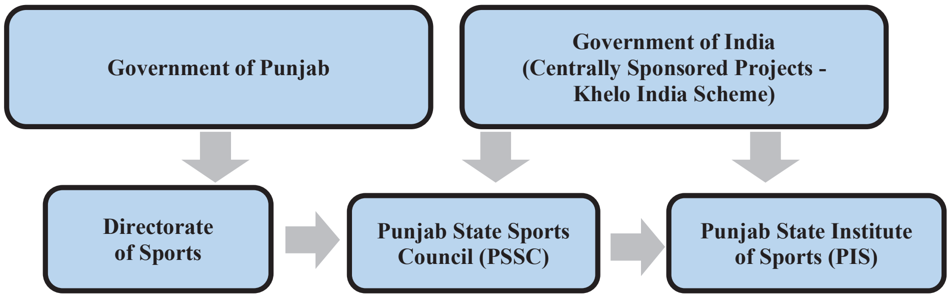
2 (i) Bathinda; (ii) Faridkot; (iii) Gurdaspur; (iv) Mansa; (v) Patiala; and (vi) SAS Nagar, selected by using Stratified Random Sampling method based on the consolidated expenditure.

3 (i) Bathinda; (ii) Patiala; and (iii) SAS Nagar.

4 Out of 15 projects, 12 were creation and 3 were upgradation/renovation (Sr. Nos. 9, 10 & 15 of **Appendix 3.1**).

5 (i) Gurdaspur; (ii) SAS Nagar; and (iii) Patiala (including Sports University at Patiala).

Chart 3.1: Flow of funds received from the Government of Punjab and Government of India



3.2.1 Budget and expenditure

The status of budget allocated by GoP and expenditure incurred there-against during 2019-2022 is depicted in **Table 3.1**.

Table 3.1: Details of budget and expenditure (including released to PSSC) of the Department during 2019-2022

(₹in crore)

Year	Budget	Expenditure			Savings (percentage)
		Departmental expenditure	Funds released to PSSC	Total	
2019-20	124.28	18.04	64.74	82.78	41.50 (33.39)
2020-21	110.59	21.12	83.13	104.25	6.34 (5.73)
2021-22	156.18	43.81	65.68	109.49	46.69 (29.89)
Total	**391.05**	**82.97**	**213.55**	**296.52**	**94.53 (24.17)**

Source: Departmental data and Annual accounts of PSSC

Against the budget allocation of ₹ 391.05 crore during 2019-2022, the expenditure incurred was ₹ 296.52 crore (including ₹ 213.55 crore released to PSSC). There was an overall saving of ₹ 94.53 crore (24.17 *per cent*). The Department attributed (May 2023) the savings in budget to restrictions imposed during COVID pandemic, decrease in receipt of proposals for completion of shooting ranges[6] and demand of funds from PSSC and non-distribution of cash awards by Government for excellence in sports.

The position of funds (receipt and expenditure) of PSSC and PIS during 2019-2022 is depicted in **Tables 3.2(a)** and **3.2(b)** respectively.

[6] The work could not commence further with pace due to non-removal of defects in construction and non-procurement of electronic scoring targets.

Table 3.2(a): Position of funds of PSSC during 2019-2022

(₹ in crore)

Year	Opening balance	Funds received from			Total	Expenditure	Funds released to PIS	Closing balance
		GoI	GoP	Interest income				
1	2	3	4	5	6 = (2+3+4+5)	7	8	9 = (6-7-8)
2019-20	56.08#	7.28	64.74	8.11	136.21	83.20	6.51	46.50
2020-21	46.50	2.65	83.13	2.80	135.08	51.13	11.49	72.46
2021-22	72.46	7.28	65.68	0.00	145.42	98.89	13.63	32.90
Total	**175.04**	**17.21**	**213.55**	**10.91**	**416.71**	**233.22**	**31.63**	

Source: Annual accounts of PSSC

Includes unutilised amount of ₹8.77 crore lying under Dedicated Sports Fund (operative up to 2016-17).

Table 3.2(b): Position of funds of PIS during 2019-2022

(₹ in crore)

Year	Opening balance	Funds received from			Total	Expenditure	Closing balance
		GoI	PSSC	Interest etc.			
1	2	3	4	5	6 (2+3+4+5)	7	8 (6-7)
2019-20	5.30	1.20	6.51	0.20	13.21	10.06	3.15
2020-21	3.15	0.75	11.49	0.18	15.57	13.89	1.68
2021-22	1.68	0.00	13.63	0.05	15.36	13.45	1.91
Total	**10.13**	**1.95**	**31.63**	**0.43**	**44.14**	**37.40**	

Source: Annual accounts of PIS

During the period 2019-2022, against the available funds of ₹ 385.08 crore (excluding funds of ₹ 31.63 crore released to PIS), PSSC incurred expenditure of ₹ 233.22 crore (61 *per cent*); and PIS had spent ₹ 37.40 crore (85 *per cent*) against the available funds of ₹ 44.14 crore for providing sports infrastructure/ facilities in the State.

3.3 Planning for sports infrastructure

The Punjab Sports Policy 2018, aimed at setting up sports infrastructure *viz.* multipurpose sports arenas with swimming pool and standard athletic tracks at district and sub-divisional levels in the next three years. It spelt out that Government would endeavour in this direction.

Audit observed that out of 23 districts in the State, multipurpose sports arenas with swimming pool existed in 11 districts[7] only as of 31 March 2022 and standard athletics tracks existed in 21 out of 23 districts (except in Malerkotla and Moga districts). The envisaged infrastructure was not developed in any of the 88 Sub-divisions in Punjab, as on 31 March 2022.

[7] (i) Amritsar; (ii) Bathinda; (iii) Faridkot; (iv) Ferozepur; (v) Jalandhar; (vi) Ludhiana; (vii) Malerkotla; (viii) Pathankot; (ix) Roopnagar; (x) SAS Nagar; and (xi) Sangrur.

The Government stated (June 2023) that development was a continuous process depending upon the availability of funds. The reply was not convincing as the resolve of the Government was not backed by any decisions and necessary provision of funds for making available the sports infrastructure at district and sub-divisional levels.

The status of sports infrastructure available with the Department as of December 2022, is depicted in **Table 3.3**.

Table 3.3: Status of sports infrastructure in Punjab as of December 2022

Type of sports infrastructure	Sports infrastructure					
	As on 31 March 2019	New projects taken up between April 2019 and March 2022		Taken up for upgradation between April 2019 and March 2022		As on 31 December 2022
		Completed	In-progress	Completed	In-progress	
1	**2**	**3**	**4**	**5**	**6**	**7 (2+3)**
Stadium (Indoor and Outdoor), Multipurpose Hall, Shooting Range, Hockey Stadium, Swimming Pool, etc.	99	9*[8]	6[9]	42	17	108*
Sports University at Patiala	0	0	1	0	-	-
Total	**99**	**9**	**7**	**42**	**17**	**108**

Source: Departmental data

** Includes three test-checked projects completed between February and April 2023, as per reply (May 2023) of the Department.*

Audit observed that the Department planned for 28 new sports projects, of which 12 projects (out of 16 projects, as detailed in **Table 3.3**) were taken up for construction during the period 2019-2022. The completion status of sports infrastructure projects taken up/in progress between April 2019 and March 2022 are as below:

3.3.1 Progress of sports infrastructure projects

(i) Delay in completion and non-functional sports infrastructure projects

Out of nine completed projects, seven test-checked projects which were started between the year 2016[10] and September 2021 were completed (July 2022-April 2023), with delays ranging between 4 and 76 months after

8 Two each in Ferozepur, SAS Nagar (Mohali) and Hoshiarpur, and one each in Sri Muktsar Sahib, Patiala and Tarn Taran districts.

9 One each in Fazilka, Gurdaspur and Sri Muktsar Sahib and three in Jalandhar districts.

10 One project *viz.* 'Football Stadium at Mahilpur, Hoshiarpur' initially allotted in the year 2016 could not be completed due to paucity of funds, which was re-allotted in November 2021.

incurring expenditure of ₹ 16.74 crore. Audit observed that the reasons for delayed completion of the projects were delay in release of funds, non-provision of encumbrance-free sites, changes in scope of work, delay in providing structural designs and demarcation of land for boundary wall. Of these seven completed projects, three projects (₹ 10.78 crore) had not been made functional as of April 2023, even after lapse of 7-20 months from the completion of works due to non-shifting of electric poles and transformers situated inside the sports complex, non-removal of defects in construction, non-procurement and installation of electronic shooting targets. **(*Appendix 3.2*).** The Government assured (June 2023) to make efforts for timely completion of the projects in future.

Of the six projects in progress, one test-checked project (Construction of Sports Stadium at Village Harpura Dhandoi, Gurdaspur) undertaken in November 2021 was yet to be completed (April 2023) against scheduled date of completion of July 2022. It was noticed that the project could not be completed due to delay in transfer of land in the name of the Department, change in scope of work, delay in demarcation of land for boundary wall, etc. The Government assured (June 2023) for early completion.

(ii) Setting up of Sports University, Patiala

The Sports Policy, 2018 also envisaged setting up a Sports University to promote education in the areas of sports sciences, sports technology, sports management, sports coaching, etc. and to function as a State Training Centre for selected separate disciplines. The Punjab State Sports Council accorded approval (November 2020) for the work of construction of Phase-I of Maharaja Bhupinder Singh Punjab Sports University at Patiala at a cost of ₹ 25.00 crore to the Executive Engineer, Public Works Division (B&R), Patiala. The entire work was to be completed up to December 2023 at an estimated cost of ₹ 498.75 crore. The Sports University[11] was made functional (September 2019) in some other buildings[12] at Patiala.

Against the total estimate of ₹ 498.75 crore for setting up of the University by December 2023, GoP had released ₹ 29.38 crore only up to December 2022, against the cost estimate of ₹ 60.00 crore for Phase-I. With the funds made available, the construction of boundary wall had been completed and the work of academic block, girls and boys hostels and other allied works[13] under Phase-I were in progress (January 2023). The FD had approved provision of ₹ 40.00 crore only during the year 2023-24 for the purpose.

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11 Established under the Maharaja Bhupinder Singh Punjab Sports University Act, 2019.

12 Academic sessions at Prof. Gursevak Singh Government Physical Education College, Patiala and administrative activities at Mahendra Kothi, Patiala.

13 Internal roads, parking, etc.

Thus, the plans were not backed by provision of requisite funds which delayed the setting up of required infrastructure of the University.

(iii) Upgradation of existing sports infrastructure

The PSSC had also taken up the upgradation work of existing 52 sports infrastructure projects (including 39 repair and renovation works) in 15 districts of the State during the period 2019-20 to 2021-22, against which expenditure of ₹ 36.17 crore was incurred as of December 2022. Out of these 52 projects:

- Thirty projects involving expenditure of ₹ 11.63 crore, were completed on time;
- Ten projects involving expenditure of ₹ 21.34 crore were completed after a delay ranging from 2 to 12 months; and
- Twelve projects involving expenditure of ₹ 3.20 crore were incomplete even after a delay ranging from 1 to 37 months.

Audit observed in one out of two test-checked projects - work of repair and renovation of Guru Gobind Singh Stadium at Sri Muktsar Sahib was allotted (May 2019) through Punjab Mandi Board (PMB) at a cost of ₹ 1.43 crore to be completed by November 2019. However, PSSC released (August 2019) ₹ 0.36 crore only to PMB. Due to non-release of adequate funds by PSSC, the work was stopped (November 2019) after incurring expenditure of ₹ 0.59 crore thereon. Subsequently, PSSC released the balance funds of ₹ 1.07 crore[14] to PMB between July 2020 and March 2021 but the work could not be restarted (December 2022) due to non-finalisation of revised estimate of the work. The balance funds of ₹ 0.84 crore were lying unutilised with PMB.

Incomplete work of Guru Gobind Singh Stadium at Sri Muktsar Sahib (May 2023)

[14] ₹ 0.19 crore in July & September 2020; and ₹ 0.88 crore in March 2021.

The Government admitted the facts and replied (May 2023) that revised administrative approval for the work was under process and the work would be completed at the earliest.

(iv) Projects under Khelo India Scheme

Khelo India National Programme for Development of Sports i.e. Khelo India Scheme (KIS) aims at improving India's sports culture at the grass-root level through organised talent identification, structured sporting competitions and infrastructure development. The Ministry of Youth Affairs and Sports, Government of India (GoI) sanctioned (July 2017 – January 2022) seven projects for ₹ 42.97 crore, of which ₹ 22.60 crore were released (October 2017 - April 2022) for five projects[15]. However, no funds were released for two[16] sanctioned projects as of December 2022. Test-check of four selected projects under KIS showed:

(a) The GoI sanctioned (December 2020) the project of construction of Multipurpose Indoor Hall, Bhangal Kalan, Nawanshahr for ₹ 4.50 crore and funds there-against were to be released subject to submission of the requisite documents[17]. The PSSC, after a lapse of one year, after acquiring possession of land and finalisation of drawings of the project, allotted (December 2021) the work at a cost of ₹ 5.11 crore[18], to be completed within 10 months (October 2022); and submitted (December 2021) the required documents to GoI for release of funds. The GoI released (March 2022) the first installment of ₹ 2.25 crore. However, execution of the work got delayed due to delay in providing drawings to the contractor, shifting of electrical installations, etc. Though PSSC submitted the utilisation certificate of the earlier grant along with other requisite documents to GoI in January 2023, balance funds were yet to be received (January 2023). Resultantly, the project under the Scheme could not be completed even after lapse of 29 months from the date of sanction of the project (December 2020 - April 2023).

The Government stated (June 2023) that efforts were being made to complete the work and make it functional. The fact remained that non-submission of requisite documents to GoI in time and non-availability of encumbrance-free site resulted into delayed/non-receipt of grant consequently non-completion of sports infrastructure which deprived the sportspersons of the planned facilities.

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15 Construction of (i) Multipurpose indoor hall at War Heroes Stadium, Sangrur (₹ 7.47 crore); (ii) Multipurpose indoor hall at Smt. Lajwanti Sports Complex, Hoshiarpur (₹ 6.75 crore); (iii) Multipurpose indoor hall at village Bhangal Kalan, Nawanshahr (₹ 2.25 crore); (iv) Laying of synthetic hockey turf at village Marar, Gurdaspur (₹ 2.63 crore); and (v) Laying of Synthetic Athletic Track at Shaheed Bhagat Singh Stadium, Ferozepur (₹ 3.50 crore).

16 (i) Laying of Synthetic Athletic Track at Guru Nanak Dev Stadium, Amritsar; and (ii) Construction of multipurpose hall at Maharaja Ranjit Singh Technical University, Bathinda.

17 Possession of land, copy of agreement, letter of award, etc.

18 Cost over and above the sanctioned amount (₹ 0.61 crore) was to be borne by PSSC.

(b) GoI sanctioned two other projects *viz.* construction of (i) multipurpose indoor hall at War Heroes Stadium, Sangrur (₹ 7.47 crore in September 2017); and (ii) multipurpose indoor hall at Smt. Lajwanti Sports Complex, Hoshiarpur (₹ 7.00 crore in July 2017) under the Scheme, and released ₹ 7.47 crore (April 2018-February 2021) and ₹ 6.75 crore (October 2017-May 2021) respectively. However, these two projects were completed (March 2021) after a delay of 23 months and 32 months from the scheduled date of completion i.e. April 2019 and July 2018 respectively. The reasons for delayed completion of the projects were delay in release of funds, finalisation of site, drawings and colour schemes, constitution of monitoring committee, etc. It was further noticed that these two multipurpose indoor halls were made functional in August 2021 and May 2022 after a lapse of 5 months and 13 months respectively from the completion dates, due to late procurement of furniture and sports equipment.

Thus, these two multipurpose indoor halls were made functional after overall delay of 28 months and 45 months respectively.

The Government assured (June 2023) for additional efforts for timely completion of the projects.

(c) GoI sanctioned (April 2021) the project *viz.* Laying of Synthetic Athletic Track at Guru Nanak Dev Stadium, Amritsar for ₹ 7.00 crore. However, no grants were released (December 2022) due to non-selection of executive agency, non-fixation of timeline for completion of the project, etc. by PSSC, even after lapse of 20 months. The GoI finally cancelled (January 2023) the project due to non-completion of the requisite formalities for release of funds. Thus, the State was deprived of a centrally sponsored sports facility due to delay in administrative procedures.

3.4 Procurement and utilisation of sports equipment

Government, realising that quality sports equipment are expensive and essential to provide training to youth in different disciplines and prepare them for competitions, decided (October 2020) to purchase them. Audit noticed the following irregularities in procurement and utilisation of sports equipment:

3.4.1 Irregular purchase of sports equipment

The Department of Finance, GoP instructed (April 2020) that prior approval of the Finance Department (FD) must be obtained to go ahead with any procurement of goods, services or works contract costing ₹ 5.00 crore or more, even where the tender/RFP had been floated in the year 2019-20 but the work order/ contract was yet to be issued.

Audit observed that the Department consolidated the demand of both its wings *viz.* Sports and Youth Services and prepared an estimate of ₹ 9.06 crore[19] for purchase of sports equipment. However, the Department floated (October 2020) tender for ₹ 4.00 crore as per the available budget provisions during 2020-21 for the purpose. The conditions of the tender *inter alia* included the validity of rates for two years for a total purchase of ₹ 8.00 crore to ₹ 10.00 crore approximately.

However, the Department procured (January 2021) sports equipment valuing ₹ 8.48 crore[20] in violation of the FD's instructions which was irregular.

The Government stated (June 2023) that in future, procurement would be made as per rules/instructions.

3.4.2 Idle sports equipment

Out of total sports equipment[21] procured for ₹ 8.48 crore, 150 multigyms-4 stations and 150 multigyms-8 stations valuing ₹ 2.92 crore were supplied to 22 districts between July and September 2021. The status of utilisation of these equipment in the selected six districts, as of April 2023, is given in **Table 3.4**.

Table 3.4: Status of utilisation of multigyms in selected districts

Name of the District	Multigym-4 Station			Multigym-8 Station		
	Received	Utilised	Unutilised	Received	Utilised	Unutilised
Bathinda	7	7	0	5	5	0
Faridkot	8	8	0	10	10	0
Gurdaspur	5	0	5	5	0	5
Mansa	3	3	0	3	3	0
Patiala	3	3	0	3	3	0
SAS Nagar	10	6	4	10	7	3
Total	**36**	**27**	**9**	**36**	**28**	**8**

Source: Departmental information

Table 3.4 shows that 17 multigyms in two districts *viz.* Gurdaspur and SAS Nagar, out of 72 multigyms supplied in six selected districts, were not put to use even after lapse of 19 months of their procurement due to non-issue of directions by the Department notifying the places for their installation and these were lying idle (April 2023). The Government stated (June 2023) that multigyms were being installed in Gurdaspur and SAS Nagar districts.

[19] Sports Wing: ₹ 7.06 crore; and Youth Services Wing: ₹ 2.00 crore.

[20] Additional requirement of funds of ₹ 4.48 crore was met from the funds available with PSSC, which had diverted funds from other heads without the approval of the Finance Department.

[21] 2,500 Cricket kits (₹ 2.32 crore); 2,000 Footballs (₹ 0.15 crore); 2,000 Volleyballs (₹ 0.19 crore); 1,000 Volleyball nets (₹ 0.17 crore); 40 Kabaddi mats (₹ 1.35 crore); 40 Wrestling mats (₹ 0.98 crore); 40 Wrestling mat covers (₹ 0.29 crore); 2,000 Hockey sticks (₹ 0.11 crore); 150 Multigyms-4 stations (₹ 1.15 crore); and 150 Multigyms-8 stations (₹ 1.77 crore).

3.5 Human Resource Management

Coaches play a major role in bringing young children to sportsgrounds and further nurturing them into excellence. The Sports Policy, 2018 envisaged increase in number of coaches from 350 to 700 in different disciplines by March 2022.

The status of human resources directly related to the sports activities as on 31 March 2022 is depicted in **Table 3.5.**

Table 3.5: Status of human resources as on 31 March 2022

Sr. No.	Cadre/Post	Sports Department			PIS		
		Sanctioned Strength	Persons in Position	Shortage	Sanctioned Strength	Persons in Position	Shortage
1.	Director (Training)	-	-	-	1	0	1
2.	Sports Coordinator	-	-	-	1	0	1
3.	Senior/Chief Coach	28	0	28	20	6	14
4.	Foreign Coach	-	-	-	5	2	3
5.	Coach	118	0	118	-	-	-
6.	Junior Coach	273	157	116	75	14	61
7.	Junior Coach (Outsourced)	169	168	1	-	-	-
8.	Foreign Physiologist	-	-	-	1	0	1
9.	Physiotherapist	-	-	-	3	0	3
10.	Psychologist	-	-	-	3	0	3
11.	Physical Trainer-cum-Expert	-	-	-	14	5	9
12.	Lifeguard	-	-	-	9	5	4
13.	Groundsmen/ Peon/ Chowkidar/ Sweeper	208	103	105	70	68	2
Total		**796**	**428**	**368 (46%)**	**202**	**100**	**102 (50%)**

Source: Departmental data

Table 3.5 shows that the shortage of human resources directly related to sports activities was 46 *per cent* under Sports Department and 50 *per cent* under PIS as on 31 March 2022.

Audit noticed that as against the sanctioned strength of 688 coaches in different cadres, there were 347 coaches[22] in position as on 31 March 2022. Thus, 50 *per cent* shortage of coaches badly affected the adequacy of coaching facilities for the sportspersons in the State. No concrete efforts were made by the Department to fill up the vacancies during the audit period.

[22] 325 coaches in Sports Department and 22 coaches in PIS.

Audit noticed in six selected districts that during the period 2019-2022:

- The coaches were found deployed in respect of three disciplines (Cycling, Shooting and Skating) in four[23] stadia even though the related infrastructure was not available there, whereas in respect of eight disciplines (Badminton, Basketball, Boxing, Football, Kabaddi, Volleyball, Roller Skating and Handball) in five[24] stadia, the coaches were not deployed despite availability of related infrastructure.
- In Gurdaspur, two gymnastics coaches were found deployed by PIS since August 2016 and April 2017, whereas there was no CoE at Gurdaspur. On the other hand, no gymnastics coach was deployed at CoE Amritsar. The PIS assured (February 2023) to transfer the coaches to CoE, Amritsar.
- In two districts *viz.* Patiala and SAS Nagar, lifeguards for swimming discipline were not deployed.
- No physiotherapist was deployed in the State against three sanctioned posts, for maintaining fitness of the sportspersons which ultimately would impact performance of the players.
- As against the sanctioned strength of 278 maintenance staff i.e. groundsmen, peons, chowkidars and sweepers, 171 personnel were in position, thereby depicting shortage of 38 *per cent* in these cadres as on 31 March 2022.

The Department stated (May 2023) that the matter had been taken up with the Government to meet shortage of manpower and a detailed exercise was being undertaken to re-align the manpower resources with facilities for various sports in the Department. The Government endorsed (June 2023) the Departmental reply.

3.6 Inadequate infrastructure and other facilities to sportspersons

In order to assess the adequacy of infrastructure and other facilities to the sportspersons, joint physical verifications of 11 sports infrastructure was conducted and 50 coaches and 133 sportspersons were interviewed (December 2022-February 2023) in six selected districts. The shortcomings noticed in provision of infrastructure/facilities are detailed in **Table 3.6**.

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23 (i) SBS Multipurpose Sports Stadium, Bathinda (Cycling); (ii) Multipurpose Nehru Stadium, Faridkot (Shooting); (iii) Multipurpose Stadium in Nehru College, Mansa (Cycling); and (iv) Multipurpose Sports Stadium, Sector 78, SAS Nagar (Skating).

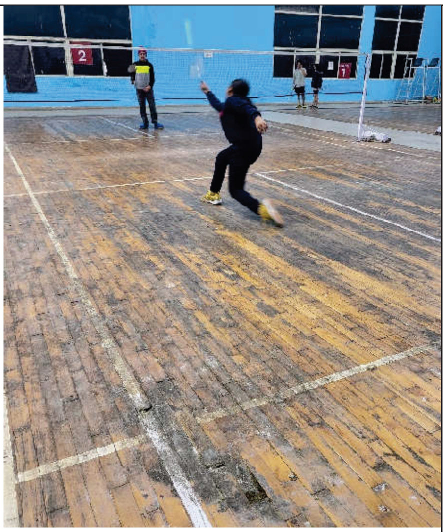
24 (i) Multipurpose Nehru Stadium, Faridkot (Badminton and Basketball); (ii) Multipurpose Stadium in Nehru College, Mansa (Badminton, Boxing, Football, Kabaddi and Volleyball); (iii) Rink Hall, Patiala (Roller Skating); (iv) Sports Complex, Sector 63, SAS Nagar (Badminton); and (v) Multipurpose Sports Stadium, Sector 78, SAS Nagar (Handball).

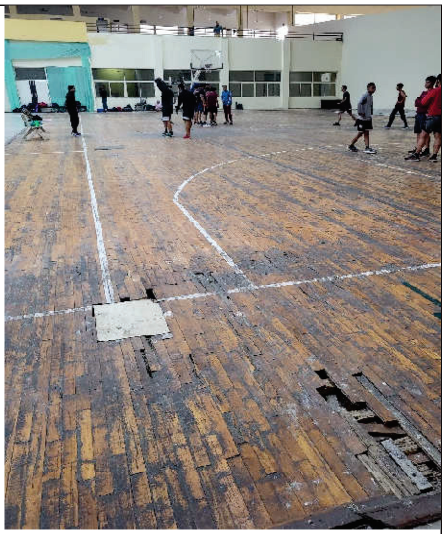
Table 3.6: Shortcomings in provision of infrastructure/facilities

District	Type of infrastructure	Poor/inadequate maintenance of infrastructure	Infrastructure/ facility not available	Infrastructure/ facility not functional
SAS Nagar	Multipurpose Sports Stadium, Sector 63 (CoE)	• Hostel washrooms not clean	• Dedicated gym • RO water filters • Medical facility • Food not being provided as per diet chart	The heating facility in the form of solar system required for swimming pool was not functional since 2013 **(Picture 3.3)**
	International Hockey Stadium, Sector 63 (CoE)	• Basic amenities i.e. washroom and water filter were in poor condition	-	The Karcher machine for cleaning of the Astroturf was not functional since last six months
	Multipurpose Sports Stadium, Sector 78 (DSO & CoE)	• Athletics track not as per the prescribed standards, wooden floors of Badminton and Basketball courts in broken condition **(Picture 3.1)** • Football ground in poor condition • Equipment for High Jump installed in the year 2016 not maintained regularly requiring replacement	• Dedicated gym	Table Tennis tables (20 Nos.) not functional for last three years
Patiala	Swimming Pool	• Changing rooms and showers in poor condition • Submersible pump not working	-	Water filtration/ recirculation system not functional since 2016
	Multipurpose Sports Stadium at Polo Ground	• Light in broken condition in Badminton court • Ceiling in broken condition in Gymnasium Hall **(Picture 3.2)** • Washrooms not cleaned and maintained timely • Fence at one side in Handball field (required on both sides)	• Dedicated hall for Table Tennis • Drinking water facility in entire complex	_
Bathinda	Shaheed Bhagat Singh Stadium	• Boxing Ring in broken condition and not usable	• Drinking water facility in the entire complex	_
	Hockey Stadium (CoE-Girls)	• Sprinkling machine (water) in poor condition	• Medical facility • Drinking water facility • Girls' hostel	_

District	Type of infrastructure	Poor/inadequate maintenance of infrastructure	Infrastructure/ facility not available	Infrastructure/ facility not functional
Gurdaspur	Gymnasium Hall	• Gymnastics equipment (Pommel horse, balancing beam, parallel bar, mini-buck, crash mats and floor exercise equipment) in poor conditions	Locker facility	-
	Badminton Hall	• The ceiling and wooden floors in broken conditions	• Locker facility • Fire extinguisher	-
Faridkot	Multipurpose Nehru Stadium	• Ceiling of Badminton Hall in broken condition • Level of the ground of stadium is very low which gets flooded during the rainy season	-	-
Mansa	Multipurpose Stadium in Nehru College	• Level of the ground of stadium is very low which gets flooded during the rainy season • The ceiling, doors and walls of the indoor stadium were in broken/ deteriorated condition • Water sprinkling system not working properly	• Changing room for boys and girls • Fire extinguisher	-

Source: Joint physical verification, surveys and Departmental information





Picture 3.1: Floors of Badminton and Basketball Courts in broken condition at Multipurpose Sports Stadium, Sector 78, SAS Nagar (27 December 2022)

	
Picture 3.2: Ceiling in broken condition at Gymnasium Hall in Multipurpose Sports Stadium at Polo Ground, Patiala (19 January 2023)	**Picture 3.3: Non-functional heating facility in the form of solar system for swimming pool in Multipurpose Sports Stadium, Sector 63, SAS Nagar (6 January 2023)**

It was further noticed that the Sports Stadium at Jaito, District Faridkot had been lying unutilised for want of repair/maintenance since 2012. The District Sports Officer, Faridkot first took up the matter of renovation with the Department only in July 2018 and again in February 2020, however, no action was taken.

The Government assured (June 2023) to take necessary steps to remove the shortcomings observed in joint physical verification.

3.7 Internal control and monitoring mechanism

Internal control and monitoring mechanism of activities of a department plays a vital role in successful implementation of various measures and efficient and effective running of the department. Some of the deficiencies in internal control and monitoring mechanism noticed during the test-check of records are discussed as under:

- As against the requirement of holding two meetings every year, only one meeting of the Governing Body of PSSC was held (December 2021) during the period between December 2016 and December 2021, wherein the annual accounts for the years 2016-17 to 2019-20 were got approved, while the PIS held (December 2021) only one Annual General Meeting of the Governing Council since April 2018. Further, no meetings of the Executive Committees were conducted in both PSSC and PIS during the period 2019-2022.

  The Government assured (June 2023) that the meetings would be conducted as per rules and regulations in future.

- The Department procured 6,447 multigyms worth ₹ 30.26 crore (2016-17) and 300 multigyms worth ₹ 2.92 crore (2020-21), which were distributed/installed at various places in the State.

However, no record in the form of registers for fixed assets was maintained by the Department and physical verification of the sports infrastructure was also never conducted. In the absence thereof, existence and optimum utilisation/maintenance of tangible assets could not be assessed.

The Government stated (June 2023) that fixed asset register would be prepared and instructions would be issued to DSOs for conducting physical verification of assets.

3.8 Conclusion

The sports infrastructure aimed to be developed under Sports Policy, 2018 left much to be desired. The Department's plans to create new and upgrade sports infrastructure were affected due to delay in release of funds, improper management of available funds, non-provision of encumbrance-free sites, etc. The human resources related to development of sports abilities were short by 47 *per cent* of the sanctioned strength.

3.9 Recommendations

The State Government/Department may consider:

- *proper planning for creation of sports infrastructure in a periodical manner for achievement of objectives in line with the Sports Policy;*
- *provision for adequate and timely release of funds, besides managing the available funds optimally for creation and maintenance of sports infrastructure; and*
- *provision for adequate human resources and deployment thereof in the sports facilities.*

Chapter-IV

Operation, repair and maintenance of Hydro Electric Projects

Chapter-IV

POWER DEPARTMENT

Punjab State Power Corporation Limited

Operation, repair and maintenance of Hydro Electric Projects

There was shortfall in generation with respect to targets to the extent of 1,175.52 MUs equivalent to ₹ 764.09 crore at three hydroelectric plants. Transformation losses were above prescribed limit to the extent of 37.32 MUs. Delay in execution of various works resulted in avoidable generation loss of 64.69 MUs valuing ₹ 42.04 crore. Annual maintenance activities undertaken beyond lean period resulted into generation loss of 384.42 MUs equivalent to ₹ 249.88 crore.

4.1 Introduction

In Punjab, the activity of generation and distribution of power has been entrusted to Punjab State Power Corporation Limited (Company). The total installed capacity (including share from all the sources *viz.* own Thermal & Hydro, Independent Power Producers (IPPs), share from Bhakhra Beas Management Board (BBMB), share from Central Sector, Punjab Energy Development Agency (PEDA) and new & renewable sources of energy (NRSE) Projects and other states), as on 31 March 2022 was 13,940.84 MW. Out of this, Company has its own available installed capacity of 2,775.25 MW (Thermal-1,760 MW and Hydro-1,015.25 MW[1]). The share of hydro power in total own installed capacity was 36.58 *per cent* and 7.28 *per cent* in overall installed capacity. As on 31 March 2022, the Company had five Hydro Electric Projects (HEPs) as detailed below:

1. Shanan Power House (SPH), Joginder Nagar (110 MW), commissioned in 1932 and uprated in 1982.
2. Ranjit Sagar Dam (RSD) Hydro Electric Project (600 MW[2]) commissioned in 2000.
3. Anandpur Sahib Hydel Project (ASHP) (134 MW) commissioned in 1985.
4. Mukerian Hydel Project (MHP), Stage-I (207 MW), commissioned during 1983 to 1989 and Stage-II (18 MW) commissioned during 2017 and 2018.

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1 110 MW (SPH) + 452.4 (RSD) + 134 (ASHP) + 225 (MHP) + 91.35 (UBDC) +2.50 (Micro Hydel Projects)

2 20 *per cent* is shared with Jammu & Kashmir (to be supplied at generation cost) and 4.60 *per cent* with Himachal Pradesh (free of cost). Therefore, out of 600 MW, available capacity for PSPCL was 452.40 MW.

5. Upper Bari Doab Canal Power Houses (UBDC), Stage-I (45 MW) commissioned during 1971 to 1973 & Stage- II (46.35 MW) commissioned during 1989 to 1992.

4.2 Organisation structure

The operation & maintenance (O&M) of all the HEPs is being looked after by Chief Engineer/ hydel projects with Superintending Engineers (SEs)/ Executive Engineers (XEN) at Circle and plant level respectively.

4.3 Audit objectives

The objectives of audit were to assess whether:

- optimum generation as per targets fixed by CEA was being achieved;
- the guidelines issued by Central Electricity Authority (CEA) for operation and maintenance (O&M) of Hydro Electric Projects (HEPs) were being adhered to;
- the repair and maintenance of the hydro power houses were being planned and executed during lean period specific to the project so as to minimise generation loss as per CEA norms;
- trained manpower as per best practices/ guidance given by CEA in hydroelectric power generation was deployed in power houses.
- contracts relating to repair/maintenance/renovation and other works of projects were being executed efficiently and as per the terms of the contract; and
- envisaged benefits of the work for repair/overhauling/ renovation were achieved**.**

4.4 Scope and methodology of audit

The audit was conducted for the period 2019-22. To achieve the audit objectives, records relating to generation, annual scheduled maintenance, outages (planned and forced), purchase of equipments for power houses, execution of repair/capital works and deployment of manpower were examined.

4.5 Audit Criteria

The criteria adopted for achievement of audit objectives were derived from the following sources:

- Guidelines issued by CEA and norms fixed by Central Electricity Regulatory Commission (CERC);

- Generation targets fixed by CEA/ Company,
- Maintenance schedule framed by Company;
- Schedule completion period / contractual delivery period; and
- Best practices in operation & maintenance of Hydro Power Stations.

4.6 Audit Findings:

4.6.1 Generation

Central Electricity Authority (CEA) fixes the generation targets for HEPs having capacity of more than 25 MW. As such, generation targets did not include targets in respect of 91.35 MW UBDC (comprising of three powerhouses of 15 MW each and three powerhouses of 15.45 MW each) and 18 MW MHP-V. Accordingly, to match the targets, generation of 1,180.09 MUs and 309.15 MUs from UBDC and MHP-V respectively was excluded from the total generation. Against the targets set by CEA for HEPs having capacity of more than 25 MW, generation during the period 2019-22 was as below:

Table 4.1: Targeted Generation *vis a vis* Actual Generation (in MUs) in respect of HEPs having capacity of > 25 MW

Name of HEP	2019-20			2020-21			2021-22		
	Target	Actual	Excess /Shortfall	Target	Actual	Excess /Shortfall	Target	Actual	Excess /Shortfall
SPH	485	564.99	79.99	485	503.07	18.07	502	521.91	19.91
RSD	1,560	2,099.18	539.18	1,560	1,518.94	(-)41.06	1,638	1,162.96	(-)475.04
ASHP	640	603.72	(-)36.28	640	565.99	(-)74.01	709	396.36	(-)312.64
MHP	1,080	1,098.37	18.37	1,120	1,282.31	162.31	1,120	883.51	(-)236.49
Total	**3,765**	**4,366.26**	**601.26**	**3,805**	**3,870.31**	**65.31**	**3,969**	**2,964.74**	**(-)1,004.26**

Source: Information provided by the Company

Against targets of 11,539 MUs for HEPs (having capacity more than 25 MW), actual generation was 11,201.31 MUs leaving a shortfall of 337.69 MUs during 2019-22.

Total generation from all the five HEPs (including projects having capacity less than 25 MW) was 12,690.56 MUs *i.e.* 4,939.14 MUs, 4,389.60 MUs and 3,361.82 MUs during 2019-20, 2020-21 and 2021-22 respectively. There was decline in generation from 4,939.14 MUs during 2019-20 to 3,361.82 MUs during 2021-22 *i.e.* 1,577.32 MUs (31.94 *per cent*).

Project-wise analysis showed that there was shortfall to the extent of 516.10 MUs in case of RSD during 2020-22, 422.93 MUs in case of ASHP during 2019-22 and 236.49 MUs in case of MHP during 2021-22. In ASHP there was shortfall in generation during all the three years from 2019-20 to 2021-22. The overall shortfall in generation w.r.t. targets was to the extent of

1,175.52 MUs in respect of these three HEPs equivalent to loss of revenue of ₹ 764.09 crore[3]. The reasons for shortfall in generation were forced shutdown (reference Paragraph 4.6.4), delay in carrying out of major repair/capital maintenance works (reference Paragraphs 4.6.6.1 and 4.6.6.2), annual maintenance during peak period (reference Paragraph 4.6.7) and less availability of water.

The Government stated (May 2023) that targets could not be achieved as the same were fixed by CEA on assumption basis and they were not backed by scientific basis. The reply was not acceptable as the CEA fixes the targets after considering all the standards and parameters. The fact remains that the generation targets were not achieved.

4.6.2 Transformation losses

Central Electricity Regulatory Commission (CERC) prescribes the norm of transformation loss[4] which is a maximum of 0.50 *per cent* of energy generated. An analysis of project-wise transformation loss during 2019-22 showed transformation loss at SPH (110 MW) and MHP (225 MW) were in excess of the norms of 0.50 *per cent*. Transformation losses at SPH were ranging between 1.24 *per cent* and 1.58 *per cent* which aggregated to 14.68 MUs during 2019-22 while at MHP these were ranging between 1.01 *per cent* and 1.37 *per cent* aggregating to 22.64 MUs during 2019-22. The excess transformation losses of 37.32 MUs deprived the Company of potential revenue of ₹ 24.26 crore[5] during 2019-22. Higher transformation losses in SPH and MHP were due to installation of single phase instead of three phase generator transformers and old generator transformers which have outlived their life respectively.

The Government stated (May 2023) that remedial measures to minimise the transformation losses are being taken.

4.6.3 Plant Availability Factor and Plant Load Factor

To achieve optimum generation, availability of the power plant has to be ensured. A Lower Plant Availability Factor[6] (PAF) indicates that the power plant is available for generation for a shorter period and lower Plant Load Factor[7] (PLF) indicates that the plant is generating less power than its capacity. Plant-wise PAF and PLF during 2019-22 is as below:

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[3] Loss of revenue is calculated at ₹ 6.50 per unit *i.e.* average revenue realisation rate for 2019-22.

[4] Transformation losses refers to losses from generation voltage to transmission voltage.

[5] Loss of potential revenue is calculated at ₹ 6.50 per unit, the average revenue realisation rate per unit for the period 2019-22.

[6] Plant Availability Factor is the amount of time for which plant is able to produce electricity over a certain period, divided by amount of time in that period.

[7] Plant Load Factor is a percentage of energy generated by the power plant corresponding to installed capacity/energy which it can produce in a particular period.

Table 4.2: Plant Availability Factor and Plant Load Factor (in *per cent*)

Name of HEP	Plant Availability Factor				Plant Load Factor			
	2019-20	2020-21	2021-22	Average	2019-20	2020-21	2021-22	Average
SPH	81.76	77.15	83.37	80.76	58.47	52.21	54.16	54.95
UBDC	92.39	87.37	81.43	87.06	58.81	49.25	39.25	49.10
RSD	89.46	76.01	89.59	85.02	39.83	28.90	22.13	30.31
ASHP	92.37	89.71	85.42	89.17	51.29	48.22	33.77	44.43
MHP	91.71	94.24	85.75	90.57	60.68	71.41	49.03	60.37

Source: Information provided by the Company

There are no specific norms regarding PAF and PLF, however, as per CEA, average operating availability *i.e.* PAF of hydro generating units on all India basis during 2019-20 to 2021-22 ranged between 92.68 *per cent* and 93.97 *per cent*. It was observed that average PAF of these five projects ranged between 80.76 *per cent* (SPH) and 90.57 *per cent* (MHP) during 2019-22. Further, the average PLF ranged between 30.31 *per cent* (RSD) and 60.37 *per cent* (MHP) during 2019-22. There was decline in PLF of each plant from 2019-20 to 2021-22 which corresponds to decline in generation during the above period.

The Government stated (May 2023) that the low PAF was due to increase in planned outages as well as more forced shut downs. Audit is of the opinion that the Company could have at least reduced the duration of forced shut downs by regular preventive maintenance.

4.6.4 Loss of generation due to forced outages

Forced outage is an outage/non-availability of a generating unit due to fault or other reasons which has not been planned *e.g.* unexpected breakdown of the unit. To achieve optimum generation, it should be ensured that the plant remains available for generation. The operational reliability of the generating units shall be such that whenever the grid demands, it should be available for generation. Best practices in operation & maintenance of hydro power stations shall be such that by following such procedures, downtime of individual generating units & plant should be minimum *i.e.* forced outages should be minimised.

During 2019-22, out of total forced outages of 10,365 Machine hours[8], major outage *i.e.* 7,812 Machine Hours (75.36 *per cent*) was in case of MHP and 1,782 Machine Hours (17.19 *per cent*) in case of ASHP, constituting 92.55 *per cent* of total forced outages. On account of these forced outages, the Company had to suffer generation loss of 124.93 MUs equivalent to ₹ 81.20 crore[9]. The main factors for the forced outages were breakdown of

[8] In respect of ASHP, MHP, SPH and UBDC only.

[9] Loss of revenue is calculated at ₹ 6.50 per unit, the average revenue realisation rate per unit during 2019-22.

machine/equipment, failure of 132 KV Transmission System and choking of inlet canal due to trash. To bring down the forced outages, the Company was required to improve its O&M practices and take up the matter with the Punjab State Transmission Corporation Limited (PSTCL) to reduce failure in the transmission system and recouping of generation loss due to faults in its transmission system. Audit also observed at Ranjit Sagar Dam (RSD), forced outages were being treated as planned outages and the works under forced outages were being carried out as planned works, which was not justified.

The Government accepted and stated (May 2023) that equipment requiring major overhauling etc. have been identified and the Company is working on its replacement. They added that the matter of failure of transmission network is being taken up with PSTCL.

4.6.5 Under-utilisation of Upper Bari Doab Canal Project

The Upper Bari Doab Canal (UBDC) HEP comprises of six machines having total capacity of 91.35 MW. The project has a 20 KM hydel channel with maximum discharge capacity of 7,200 cusecs. The continuous variation of volume of discharge had caused damage to the channel, which required protection and restoration. Accordingly, the water discharge in the hydel channel was restricted to 6,100 cusecs against the full capacity of 7,200 cusecs. The Company decided (April 2017) to execute channel repair works at an estimated cost of ₹ 1.69 crore in order to achieve the rated discharge capacity to 7,200 cusecs thereby increasing its generation capacity.

It was, however, observed that though the above civil works were got executed (up to March 2021) incurring a total cost of ₹ 1.51 crore, the capacity of the channel could still be utilised only up to 6,700 cusecs. The Company observed that increase in discharge in hydel channel beyond 6,700 cusecs leads to net head loss and consequent decrease in generation. The Company could not correctly assess the reasons causing underutilisation of the capacity of the channel and the power plant despite executing the above works.

The Government accepted the fact and stated (May 2023) that to utilise the hydel channel at full capacity, studies for renovation, modernisation & uprating and remaining life assessment is under process.

4.6.6 Delay in execution of works:

4.6.6.1 Loss of generation due to delay in implementation of Digital Governing System

Governing system is the main controller of the hydraulic turbine. The governing system regulates the water flow through the turbine to control its speed or power output and system frequency.

The purchase order for supply and work order for erection and commissioning of Digital Governing System (DGS) to be installed at UBDC Hydel project was issued (July 2019) at ₹ 2.11 crore (₹ 2.02 crore for supply and ₹ 8.85 lakh for erection) in favour of M/s ABB India Limited (firm). As per the contractual delivery clause, material was to be supplied up to April 2020 and the work of commissioning of DGS was to be completed within 30 days from the start of work depending upon availability of machines. Against the above delivery schedule, supply was completed by July 2020 *i.e.* after a delay of three months. Two machines were handed over to the firm on 20 December 2020 and one on 15 February 2021. As such, the work was to be completed by 19 January/17 March 2021. However, the machines were commissioned on 7 June 2021 *i.e.* after a further delay of 138 days/81 days. The reasons for the delay were not on record. Due to delayed delivery and commissioning by the contractor, the Company suffered generation loss of 47.36 MUs equivalent to revenue of ₹ 30.78 crore[10].

The Government, while accepting the facts stated (May 2023) that the matter to incorporate provision to safeguard the financial interest of the Company is under consideration.

4.6.6.2 Delay in completion of work by M/s BHEL

The capital overhauling of Machine No. 2 (15 MW) of Powerhouse No.1 at MHP, Talwara was required to increase life of generating assets, improve efficiency, increase availability, reduce O&M expenditure and generation loss etc. The Company planned (2016-17) capital overhauling of the machine during the ensuing lean season (March-June).

The work was allotted (August 2019) to M/s BHEL (firm), the original equipment manufacturer (under single tender enquiry), for ₹ 24.60 crore. The machine was handed over (March 2021) to the firm, who was to complete the work by 15 June 2021. However, due to spread of Covid 19 and additional work involved, the firm submitted (June 2021) the revised completion date as 1 September 2021. The machine was commissioned on 8 November 2021 *i.e.* after a delay of 67 days. The delay in completion of the work resulted in generation loss of 17.33 MUs equivalent to potential revenue of ₹ 11.26 crore[11].

The Government stated (May 2023) that the work got delayed due to spread of Covid-19 and emergence of additional work. The reply was not tenable as the

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[10] Loss of revenue is calculated at ₹ 6.50 per unit *i.e.* average revenue realisation rate for 2019-22.

[11] Loss of revenue is calculated at ₹ 6.50 per unit *i.e.* average revenue realisation rate for 2019-22.

loss has been calculated after considering the revised completion date submitted by the firm.

4.6.6.3 Delay in capital maintenance of Generator Transformers

The Company decided (November 2019) to carry out capital maintenance/overhauling of three single phase 62.5 MVA, Generator Transformers (GTs) installed at RSD, departmentally from its Grid Construction Division, Amritsar (GCD) at a tentative expenditure of ₹ 1.41 crore. The GCD was requested (January 2020) to lift one GT, however, the same was lifted (January 2021) after a lapse of one year. Capital overhauling of this GT was completed in July 2021 and it was shifted at site in February 2022 *i.e.* after more than seven months from the date of completion of capital overhauling.

Finally, this GT was commissioned/ energised in March 2022. Audit observed that there was delay of one year in lifting the first GT from the project site to the crane bay and further delay of more than seven months in shifting it back to the project after capital maintenance. The main reason for delay in lifting up /shifting back was on account of non-availability of trailer of required capacity with the GCD. The work was awarded without considering the availability of trailer of required capacity for carrying out work inhouse, which shows improper planning. Audit further observed that capital maintenance of all the three GTs was required to be completed up to March 2021, however, capital maintenance of only one GT was completed/ commissioned by March 2022. Delay in execution of capital maintenance may result in breakdown of GTs and consequent generation loss.

The Government stated (May 2023) that project authorities made all efforts/ endeavours for timely execution of the work. The fact remains that capital maintenance of GTs at RSD has been overdue which may adversely affect the operations at any juncture.

4.6.7 Annual Maintenance

Regular/annual maintenance of powerhouse is necessary for its smooth and efficient running. Also, to minimise generation loss, annual maintenance should be scheduled and carried out during the lean period, which are different for different plants. Audit observed instances where annual maintenance/ capital maintenance was conducted beyond the lean period:

A. Ranjit Sagar Dam Hydel Project

600 MW RSD has four Units/Machines of 150 MW each. It was observed that annual maintenance schedule at RSD was not adhered to during 2019-22 as the same was not carried out as per plan. No annual maintenance in respect of

Unit-II and Unit-III was carried out during 2019-20 due to non-granting of permission by Power Controller of the Company. In 2020-21 and 2021-22, actual number of days taken for annual maintenance were more than that of planned (30 days) for each Unit. Besides this, maintenance was also done outside lean period which resulted in generation loss of 318.40 MUs and consequent loss of potential revenue of ₹ 206.96 crore[12]. The main reason for not adhering to annual maintenance plan was carrying out of major repair/replacement works along with annual maintenance work.

B. Mukerian Hydel Project

MHP has five powerhouses, of which powerhouses I to IV have three machines each and powerhouse-V has two machines. Annual maintenance of these machines was planned during the lean period that is generally observed during March to mid-June every year. Audit observed that during 2020-21, no annual maintenance was carried out except of powerhouse-V on account of Covid-19 pandemic. During 2021-22, actual number of days taken for annual maintenance of machines were more than that of planned days and the delay was ranging between 12 and 126 days, of which certain period was falling in the peak period that resulted in loss of generation of 32.95 MUs during 2021-22 equivalent to potential revenue of ₹ 21.42 crore. The main reasons for not adhering to annual maintenance plan was carrying out of major repair/replacement works along with annual maintenance work.

C. *Anandpur Sahib Hydel Project*

Work Order cum contract agreement for capital maintenance of Unit No. 2 was awarded (January 2022) to M/s Go Goal Hydro Private Limited due to its frequent breakdown on account of vibration. Lean period at ASHP is generally observed from November to March every year, however, capital maintenance of Unit No.2 was carried out from 5 January 2022 to 20 June 2022, taking a total of 167 days, which included 67 days (from 16 April to 20 June) in the peak season, which resulted in generation loss of 33.07 MUs and consequent loss of revenue of ₹ 21.50 crore. The main reason for not adhering to scheduled maintenance was delay in getting approvals.

The Government stated (May 2023) that planned maintenance scheduled could not be adhered to on account of execution of major works besides carrying out routine maintenance. The reply was not acceptable as the annual maintenance must be done during the lean period to minimise the generation loss.

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12 Loss of revenue is calculated at ₹ 6.50 per unit *i.e.* average revenue realisation rate for 2019-22.

4.6.8 Operation and Maintenance Expenses

Operation and Maintenance (O&M) expenses include expenses incurred on repair and maintenance, establishment and administration expenses.

Among all the five projects, per unit O&M expenses in respect of 600 MW RSD were on the lower side (ranging between ₹ 0.06 and ₹ 0.10 per unit) and that of UBDC were on the higher side (ranging between ₹ 0.34 and ₹ 0.51 per unit).

4.6.8.1 Unjustified payment to Water Resources Department

As per directions (October 2017) of the Government of Punjab, the Company has been paying ₹ 12 crore annually (with an increase of five *per cent* per annum over the previous year) to Water Resources Department (WRD) as lump-sum operation and maintenance (O&M) charges with a proviso that WRD shall give top priority to carry out works relating to safety of the dam.

Ranjit Sagar Dam (WRD) had a Derrick Crane for closing and opening of power tunnels. Due to problems in the operations of the crane, its manufacturer firm was approached for repair. After assessment, the firm gave a proposal to repair the crane at an estimated cost of ₹ 16.77 crore. It was mutually decided (February 2021) that the Company will pay ₹ five crore as grant to WRD instead of the earlier decision (May 2020) of payment of ₹ five crore as loan. In compliance to the above, the Company paid (October 2021) ₹ 1.38 crore to WRD.

Audit observed that since the Company has already been paying O&M expenditure to WRD, therefore, approval of additional amount of ₹ five crore as grant for repair of crane and payment of ₹ 1.38 crore thereagainst was not justified. Also, the Company had released ₹ 52 crore to WRD without ensuring actual expenditure incurred thereagainst and justification of the same.

The Government stated (May 2023) that the payment of ₹ 1.38 crore was released to WRD as decided by its Board of Directors. The reply was not tenable as besides payment of O&M charges, payment of additional amount is not justified.

4.6.9 Other Issues

4.6.9.1 Non-provisioning of adequate number of spare runners and deficiencies in Inventory Management

For smooth operation of the powerhouse, adequate number of stores and spare items need to be maintained. Runner is one such vital component of a Hydro Electric Plant. It is the rotating part of the turbine that converts the energy of falling water into mechanical energy. The turbine turns the generator rotor which then converts this mechanical energy into electricity. The Company has considered the useful life of runner as 25 years. Therefore, availability of healthy runners is the foremost requirement for efficient generation of power in a hydroelectric plant. As per CEA's Best Practices regarding operation and maintenance of hydro power plant, regular inspection of runners of turbines should be carried out and a record to that effect should be invariably maintained. It further provides that inspection and testing of the runners from experts needs to be done, to decide residual life to initiate action for procurement of runners. During scrutiny of records relating to runners at powerhouses, audit observed that against useful life of 25 years; the runners have outlived/completed 37 years at ASHP and 34-39 years at MHP. However, no spare runners were available at these projects.

Audit further observed that the Company had not evolved any mechanism of inventory management *viz.* fixing of inventory level of various spares according to their rate of consumption & criticality, ensuring timely availability of adequate number of critical spares/vital components like runners etc. Non-availability of such spares may hamper operations and thereby result in loss of generation.

The Government stated (May 2023) the spare runners would be procured during the Renovation, Modernisation and Uprating works of the Power Houses.

4.6.9.2 Mock Black Start Exercise as per Indian Electricity Grid Code

Black start is the process of restoring an electric power station or a part of an electric grid to operation without relying on the external electric power transmission network to recover from a total or partial shutdown. As per Indian Electricity Grid Code clause 5.8(b) "Mock trial runs of the procedure for different sub-systems shall be carried out by the Users/ CTU/ STU at least once every six months under intimation to the Regional Load Dispatch Centre" (RLDC). Diesel generator sets for black start would be tested on weekly basis and test report shall be sent to RLDC on quarterly basis. In case mock black start exercise is not carried out periodically, capability of the generating station to recover from a partial or a total blackout may not be ensured and in case of emergency situation like total black out, generating station may fail to revive the system, when necessary.

Audit, however, observed that no such practices are being followed at the HEPs of the Company. The Government accepted (May 2023) the audit observation.

4.6.9.3 Non deployment of technically qualified manpower in Power Houses

Qualified and trained manpower is the foremost requirement in efficient and effective operations of any hydro electric project. Audit observed that most of the staff deployed in power houses was not technically qualified and percentage of technically unqualified staff was ranging between 56 *per cent* (UBDC) and 80 *per cent* (SPH) as they did not have any qualification (diploma/degree) in the concerned field. Since the jobs in the powerhouse are of technical nature, therefore, deployment of unqualified staff may impact the operational performance of the plant.

The Government stated (May 2023) that staff deployed in powerhouses were recruited as per pre-qualification criteria fixed by the Company and training was being provided to them. The Management, however, did not produce any records to show imparting of formal training to unqualified staff during the last three years.

4.7 Conclusion

Loss of generation occurred due to inefficient operations of powerhouse, delay in execution of repair & maintenance work, forced shutdowns and carrying out of annual maintenance and repair works beyond lean season. The Company had not evolved any mechanism of inventory management *viz.* fixing of inventory level of various spares according to their rate of consumption and criticality, ensuring timely availability of adequate number of critical spares/vital components like runners. There was shortage of technically qualified manpower in the powerhouse and no formal training programmes were arranged.

4.8 Recommendations

The Company may consider:

- *Renovation and modernisation of powerhouse for increasing efficiency of the powerhouses which were not operating efficiently;*
- *Ensuring proper contract management for timely repairs and maintenance to avoid lengthy shutdowns; and*
- *Posting of technically qualified and trained staff at the projects.*

Chapter-V

Management-cum-analysis of Non-Performing Assets and recovery of loans

Chapter-V

INDUSTRIES AND COMMERCE DEPARTMENT

Punjab State Industrial Development Corporation Limited

Management-cum-analysis of Non-Performing Assets and recovery of loans

Delay in taking over the assets of the defaulting units and initiating action against their promoters/guarantors led to accumulation of Non-Performing Assets of ₹ 17,214.53 crore. Recovery made under various OTS Schemes was meagre and as such the State Government was burdened with payment of guaranteed bonds (₹ 113.38 crore paid and ₹ 366.44 crore pending for payment).

5.1 Introduction

The Punjab State Industrial Development Corporation Limited (Company) was incorporated (January 1966) with the main objective to promote, aid, assist and finance industries for balanced regional industrial development in the State. To finance industrial activity, the Company raised funds mainly by way of share capital and Government guaranteed bonds.

As on 31 March 2022, the principal amount of loan assets of ₹ 100.19 crore and interest thereon of ₹ 17,114.34 crore was outstanding. All these assets were Non-Performing Assets[1] (NPAs) further classified as Loss Assets[2]. The Company had outstanding liability on account of principal amount of unsecured bonds guaranteed by Government of Punjab (GoP) of ₹ 366.44 crore which became due from 2013-14 to 2021-22 and of ₹ 39.83 crore becoming due in 2022-23. It had accumulated losses of ₹ 661.60 crore[3] which eroded its share capital of ₹ 78.22 crore. The Company stopped its loan disbursement activity in 2006-07. Its liquidity position was strained due to declining trend in recovery of loans and non-rotation of funds.

5.2 Audit scope and criteria

Audit analysed the management of NPAs and recovery of loans during the period 2018-19 to 2021-22. The records of the Company in respect of loanee

1 As per RBI circular (July 2015), NPA is a loan where interest/installment of principal remain overdue for a period of more than 90 days in respect of term loan.

2 RBI circular defines a loss asset as "An asset where loss has been identified by the Company but the amount has not been written off fully. Such an asset is considered uncollectable and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value".

3 As per financial statements for the year 2021-22.

units (units) were examined and 38.65 *per cent*[4] of the total units were selected for detailed study selected on the basis of stratified random sampling technique. The Company has been empowered with legal remedies under provisions of State Financial Corporations (SFC) Act, 1951; Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 and Insolvency and Bankruptcy Code (IBC), 2016.

5.3 Audit Objectives

The audit objectives were to analyse and evaluate whether:

- recovery of dues and action taken in case of default was as per the provisions of the Loan Agreement, SFC Act, 1951, SARFAESI Act, 2002 and IBC, 2016;
- the Company had made adequate efforts for recovery of amount under NPAs as per the provisions of the *ibid* Acts; and
- settlement of dues was made in accordance with the One Time Settlement (OTS) Schemes operated by the Company.

5.4 Audit Findings

The audit findings are categorised into two broad areas - analysis of NPAs and settlement of cases under OTS Schemes during the period 2019-22. The audit findings are discussed in the succeeding paragraphs.

5.4.1 Non Performing Assets

The position of NPAs is an indicator of the health of the loan portfolio of a lending institution. The Company could not recover its outstanding loan dues and interest thereon from its loanees despite availability of legal remedies under the provisions of *ibid* Acts. The total dues outstanding as on 31 March 2022 had accumulated to ₹ 17,214.53 crore (principal- ₹ 100.19 crore and interest[5] - ₹ 17,114.34 crore) from 91 NPA cases (100 *per cent*). Out of these 91 unsettled NPA cases, the status of the selected 28 NPA cases is given in **Table 5.1**:

[4] As on 1 April 2019, the Company had total 119 NPAs, out of which 28 cases were settled under OTS. Out of these 28 cases, 18 cases were selected (including nine cases settled through book adjustment). Out of the balance 91 unsettled NPAs as on 31 March 2022, 28 cases were selected.

[5] Interest as per Memoranda Account of the unit.

Table 5.1: Status of selected Loanee units

(₹ in crore)

Status of loanee units					
Amount Recoverable	**Under liquidation**		**Cases where recovery due as arrears of land revenue**	**Other NPA cases**	**Total**
	Private	**Government Companies**			
Principal	10.31	4.18	17.62	6.03	38.14
Interest	1,663.69	1,139.86	2,624.70	971.77	6,400.02
Number of cases	5[6]	2	19	2[7]	28
Total	**1,674.00**	**1,144.04**	**2,642.32**	**977.80**	**6,438.16**

Source: Information provided by the company

Audit observed that:

- in all the selected 28 cases, recovery of outstanding dues of ₹ 6,438.16 crore were pending for periods ranging from 21 years to 45 years;
- in 20 cases out of the selected 28 cases involving principal amount of ₹ 22.21 crore (58.23 *per cent of* ₹ 38.14 crore), nil recovery was made.

The reasons analysed by Audit for non-recovery of loans were:

5.4.1.1 Delay in/non-invoking of various legal provisions

Audit did not find evidence that the Company had evolved any system for obtaining regular feedback about the financial health of its loanee units (analysis of profitability, projects under implementation/in default and periodical inspections of the unit). This systemic deficiency led to delay in receiving timely signals of the poor financial health of the loanee units leading to eventual non-recovery of loans. Further, the Company delayed in initiation of legal remedies for recovery of its outstanding loans:

- The Company decided (July 1994) for implementation of notification (May 1988) of Government of India for applicability of provisions of Section 29 of SFC Act to the Company after a lapse of six years. The Act provides the right to take over the management or possession, or both of the industrial concern as well as the right to transfer by way of lease or sale and realise the property pledged, mortgaged, hypothecated or assigned to the Company.
- Approval for appointment of Specified Authority[8] for issuing of Recovery Certificate (RC) to Deputy Commissioner-cum-Collector for recovery of dues as an arrear of land revenue from the guarantors of

6 Includes one sister concern unit along with its selected unit.

7 Represents units with pending Court cases/BIFR.

8 Managing Director of the Company.

the loan was taken only in November 2007 though the Company has been disbursing loans since its inception in January 1966.

- Decision to implement the provisions of SARFAESI Act, 2002 was taken (March 2009) after a lapse of nearly seven years since its enactment.

The Management stated (May 2023) that its major role was development of industries and it did not want to take harsh steps which would have led to closure of units. The units were asked for clearance of default amount and some recovery was also made. The reply of the Management was not acceptable as it was not specific to the audit observation that the Company belatedly decided to implement provisions of SFC/SARFAESI Act and appointing Specified Authority.

- The Company never initiated any action for invoking the provisions of the Insolvency and Bankruptcy Code, 2016.

The Management replied (May 2023) that it had not invoked IBC, 2016 as it had already invoked the provisions of SFC/SARFAESI Act. The reply was not convincing as IBC, 2016 was framed to ensure quicker resolution of NPA problems within 180 days, to overcome the overlapping jurisdiction of different forums.

5.4.1.2 Delay in taking over the assets of unit

The Company had not taken timely action for taking over the assets of the units mortgaged with it as per provisions of SFC Act. Out of the 28 selected cases, in 14 cases assets were taken over after delays ranging from one year to six years and in one case, assets were yet (May 2023) to be taken over, while in four cases the assets were taken over timely. In four cases, loan was sanctioned as Bridge Loan/Loan against equity without any security. In five cases, assets were not taken over as these were under liquidation/ BIFR cases.

The Management stated (May 2023) that adequate time was given to the units for clearance of default. Since the role of the Company was to develop industries, legal steps were taken only when the units were not in a position to clear the default. The reply of the Management was not acceptable as in 13 out of 14 units the Company had initiated action for taking over the assets of the units after delays of two to six years.

5.4.1.3 Delay in taking action against the promoters/guarantors

Audit observed that pending recovery under Section 29 of SFC Act, the Company has not taken any action simultaneously to recover dues from promoter/guarantors as arrears of land revenue though it was legal to recover the dues from the defaulting unit and from its promoters/guarantors simultaneously[9]. The Company had not evolved any system whereby it could ascertain the whereabouts and properties of the promoters/guarantors for initiating action for recovery of its dues. Audit analysis of selected 26 cases of NPAs (excluding two cases of NPAs of Government Companies) revealed:

- In 22[10] cases, against recoverable amount of ₹ 3,922.22 crore, action was taken (July 2008 to March 2022) against the promoters/guarantors after a lapse of seven to 27 years (in 19 cases after more than 10 years). The Company decided (December 2001) to appoint Investigating Agents (IA) for tracing out the whereabouts of the promoters/guarantors but the IAs were appointed only in July 2014. Meanwhile, in eight of these 22 cases, where RCs were issued after a lapse of periods ranging from 11 to 27 years, the whereabouts of promoters/guarantors were not traceable as they had sold/ transferred their properties, resulting in recovery of dues of ₹ 2,449.73 crore becoming doubtful.

- In four cases, against recoverable amount of ₹ 1,371.90 crore, action was not taken even after a lapse of 21 to 24 years.

The Management stated (May 2023) that it did not invoke the provisions simultaneously hoping that it would recover its dues from the sale of assets of units and promoters/ guarantors would opt for OTS. Further, the Company had appointed IAs from time to time and on the basis of the report received from them, further action was taken. The fact remains that IAs were appointed after considerable delay and the Company could not recover its dues.

Case A
The Company disbursed (April 1997-December 1998) loans of ₹ 1.93 crore and ₹ 0.24 crore to the unit[11] against mortgage of plant and machinery and collateral security of two plots at Ludhiana (256.25 square yards each). The unit defaulted in repayment of dues amounting to ₹ 0.84 crore from April 1998 to October 2000, however, no action was taken by the Company for taking over the assets of the unit under Section 29 of the SFC Act. The unit got itself registered (2001) with BIFR but no action to take over the assets under SARFAESI Act, 2002 was taken by the Company. The unit was ordered (May 2014) to be wound up by BIFR. The collateral security of the unit was taken over (April 2022) by the official liquidator (OL) but the sale was still pending (April 2023).

9 As per legal advice received by the Company in March 2016.
10 Includes three units under liquidation.
11 M/s Shivalikwala Steels Mills Limited (SSM).

Further, the Company belatedly initiated (September 2019) action against the promoters/guarantors of the unit to recover its legitimate dues as arrears of land revenue. The Tehsildar, Ludhiana intimated (June 2022) the Company that the guarantors of the unit were not residing at the given addresses. As such, delayed action by the Company resulted in recovery of ₹ 313.79 crore (principal + interest) becoming doubtful.

The Management stated (May 2023) that the Company tried to take over the assets of the unit but the action was deferred as the unit submitted some postdated cheques for part of the defaulted amount. The fact remains that the Company was yet to recover its dues from the defaulting unit even after a lapse of 25 years due to non enforcing the legal remedies under the provisions of the SFC/ SARFAESI Act.

Case B

The Company disbursed (May 1997-February 1998) two loans amounting to ₹ 2.80 crore to another unit[12] of the same set of promoters against mortgage of Plant & Machinery and Land & Building at Ludhiana. The unit defaulted in repayment of dues amounting to ₹ one crore from October 1997 to October 2000, however, no action was taken by the Company for taking over the assets of the unit under Section 29 of the SFC Act. Both the units (SSM and SLM) were being operated in the same premises without any separation. The unit got itself registered (2001) with BIFR which ordered (May 2014) the unit to be wound up.

The Company became aware (September 2004) that there was no machinery available at the site, hence it lodged an FIR with the police, but the Company did not pursue it. Finally, when the Official Liquidator (OL) went to take over the assets of the unit (May 2014), the plant and machinery (primary security) was found removed. The Company failed to lodge an FIR against the promoters in this instance. The Company also failed to promptly initiate action against the promoter/guarantor to recover its dues as arrears of land revenue. Belated action was taken in this regard as RCs were issued in June 2016 after a lapse of more than two years.

[12] M/s. Shivalik Loha Mills Limited (SLM), a sister concern of M/s Shivalikwala Steels Mills Limited.

The Company submitted (July 2022) the details of two primary properties having present value of ₹ 24.19 crore[13] which were mortgaged with it to the OL but these properties were not taken over (May 2023). Audit noticed that the mortgaged properties were industrial plots which were allotted to the unit by another State PSE, the Punjab Small Industries & Export Corporation Limited (PSIEC) and the allotment were already cancelled (August 2003 and March 2004) due to utilisation of plots for commercial purposes instead of industrial purpose. Eviction proceedings by PSIEC against the unit were under process. As such, delayed action by the Company resulted in doubtful recovery of ₹ 293.92 crore.

The Management stated (May 2023) that since the unit got registered with BIFR and was ordered to be wound up in May 2014, the Company could not take over the unit u/s 29 of the SFC Act. The reply was not acceptable as due to not taking over the assets of the unit in time, the promoters/guarantors were able to remove the plant & machinery. Further, non filing of FIR and delay in issuing RCs for recovery as arrears of land revenue led to non- recovery of dues.

5.4.2 Recovery/Settlement under OTS Scheme

With a view to provide relief to defaulters and settle cases of NPAs and facilitate overall development of industries in the State, GoP brought out One Time Settlement (OTS) Schemes from time to time (March 2009[14], October 2015, October 2017, December 2018[15] and December 2021). The details of recovery made under various OTS Schemes is given in **Table 5.2** below:

Table 5.2: Recovery made under various OTS Schemes

(₹ in crore)

OTS Schemes	No. of applications for OTS	No. of cases settled	Amount recoverable			OTS amount	Financial sacrifice	Percentage of recovery as OTS to amount recoverable
			Principal	Interest etc.	Total			
1	2	3	4	5	6	7	8=6-7	9=7/6*100
2009	39	35	38.03	267.16	305.19	68.01	237.18	22.28
2015	20	18	17.46	709.54	727.00	30.88	696.12	4.25
2017	-	-	-	-	-	-	-	-
2018	30	26	40.66	3,143.68	3,184.34	31.27	3,153.07	0.98
2021	2	2	0.64	120.07	120.71	0.69[16]	120.02	0.57
Total	**91**	**81**	**96.79**	**4,240.45**	**4,337.24**	**130.85**	**4,206.39**	

Source: Information compiled from the ledger accounts maintained in respect of loanee units

13 Taking reserve price of ₹ 10,000 per square yard.
14 Extended up to December 2009.
15 Extended up to December 2020.
16 Amount was being received in installments.

The percentage of recovery as OTS to amount recoverable went downwards in successive schemes announced, in percentage terms. It was 22.28 *per cent* in OTS Scheme 2009 and only 0.57 *per cent* in OTS Scheme 2021. Audit observed that the successive OTS Schemes were more liberal (in terms of calculation of amount to be paid under OTS and settlement was done even at zero amount - Paragraph No. 5.4.2.1 *infra*) and providing further relief to even willful[17] defaulting units/promoters which in turn became an incentive for these defaulting units/promoters to delay settlement of their accounts. As recovery made under OTS Schemes was meager, GoP was burdened with payment of guaranteed bonds (₹ 113.38 crore paid during the period 2018-19 to 2021-22 and ₹ 366.44 crore pending for discharge as on 31 March 2022).

Audit also observed that:

- At the time of OTS, value of collateral security at the time of disbursement of loan was considered under OTS Scheme 2018 but without ascertaining its present market value (as being ascertained in case of primary security for working out the OTS amount) which not only led to reduction in OTS amount by ₹ 2.04 crore[18] in two cases selected under OTS but also defeated the basic purpose of taking security to safeguard the financial interest of the Company.

The Management stated (May 2023) that the value of collateral security at the time of disbursement of loan was taken as per OTS Scheme. The reply was not acceptable as GoP/Company should have considered the current value of collateral security at the time of settlement and safeguarded its financial interests.

- GoP did not provide for any interest clause in the OTS Schemes of 2018 and 2021 of the Company whereas the OTS Schemes announced by GoP in another PSE (PFC[19]) at the same time provided for simple interest of five *per cent per annum* and three *per cent per annum,* respectively.

The Management stated (May 2023) that the amount of loans extended by PFC was much smaller than the loans given by it and with a view to avoid undue litigation and settlement of loans, the Company did not provide for any interest. The reply was not acceptable as GoP/Company should have considered at least simple interest of five/three *per cent per annum* to keep uniformity with the OTS scheme of PFC (as there are jointly financed cases also) and to cover its administrative expenses to safeguard its financial interest.

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[17] Pointed out in paragraph No. 3.10 of Audit Report (Social, General and Economic Sector) for the year 2012-13 of the C&AG of India of GoP.

[18] Present value of collateral securities: ₹ 3.00 crore estimated (based on collector rates) *less* ₹ 0.96 crore (value of collateral security at the time of disbursement of loans).

[19] Punjab Financial Corporation.

- The cases of unsettled NPAs were not intimated to the Reserve Bank of India (RBI) for notifying them as defaulter as per OTS Scheme.

The Management stated (May 2023) that the cases were not intimated to RBI since it had notified the list of defaulters on the portal of Credit Information Bureau (India) Limited (CIBIL). The reply was not acceptable as the Company had not acted as per the conditions of the OTS Scheme.

Major cases noticed during detailed scrutiny of selected OTS cases are discussed as under:

5.4.2.1 *Settlement by book adjustment (amount written off) at zero amount*

OTS Scheme, 2018, provided that in cases where securities have been sold, OTS amount was to be calculated at outstanding principal amount *plus* expenses in Current Account (CCA expenses) *minus* amount realised from sale of securities. In nine NPA cases (the disbursement period in these cases ranged from 20 years to 41 years) ₹ 1,343.93 crore (Principal: ₹ 16.82 crore, Interest: ₹ 1,326.80 crore and CCA: ₹ 0.31 crore) was recoverable. Audit observed that:

- In three out of nine units, action under SARFAESI Act to take over their assets was taken after a lapse of nine to 10 years.

- Out of nine units, in case of five units, no action was taken against the guarantors to recover the outstanding loans as arrears of land revenue even after a lapse of one to 23 years involving recoverable amount of ₹ 844.59 crore.

- In case of four units, action for recovery of loan as arrears of land revenue was taken after a lapse of five to 11 years involving recoverable amount of ₹ 499.34 crore. Of these, in case of one unit[20], the Company requested (June 2011 to April 2019) the DC concerned for recovery of dues but the details/whereabouts of the properties (at Amritsar and Delhi) of the guarantor were not brought to the notice of the DC concerned for effecting recoveries. The loan was settled (July 2020) at zero amount under OTS against recoverable amount of ₹ 74.35 crore. In another unit[21] the Company intimated (August 2017) the DC, Amritsar about residential property and land of guarantor at Amritsar for recovery of outstanding dues as arrears of land revenue but no response was received. The loan was settled (February 2019) at zero amount under OTS against recoverable amount of ₹ 148.57 crore.

[20] M/s Ashwin Fabrics (P) Ltd.

[21] M/s Pahwa Processors Ltd.

Audit further observed that the amount of ₹ 31.88 crore realised (January 1997 to June 2018) from the sale proceeds of primary and collateral securities of the NPAs was adjusted (February 2019 to November 2020) with the outstanding principal and CCA expenses (₹ 17.13 crore) under the OTS Scheme which was already accounted for as interest income on actual receipt basis against recoverable amount of interest in the respective year of accounts of the Company as per the guidelines of RBI/Accounting Policy/Loan agreement. Accordingly, the loan accounts were settled through book adjustment at zero amount of OTS and recovery proceedings to recover the dues as arrears of land revenue were withdrawn and consequentially promoters/ guarantors escaped from payment of legitimate dues.

The Management stated (May 2023) that the settlement through book adjustments was made as per the policy floated by GoP and it is sacrosanct. The reply was not acceptable as failure of the Company for non/ inordinate delay in initiation of action under SARFAESI Act and against the promoters/ guarantors led to non-recovery of dues which were ultimately settled at zero amount by violating the guidelines of the RBI/Accounting Policy/Loan Agreement. As such, settlement by book adjustment was against its financial interest as interest is the main revenue for any financial institution accounted for on actual receipt basis.

5.4.2.2 *Settlement at reduced value by adjusting state subsidy*

The unit[22] availed (June 1998) a bridge loan of ₹ 0.40 crore which was repayable within a period of two years or when the state subsidy[23] was disbursed by GoP, whichever was earlier. The unit did not pay any amount and became (January 1999) NPA. But no action was taken after the due date of repayment of loan to take over the collateral security valued (April/May 1998) at ₹ 0.86 crore under section 29 of the SFC Act, 1951 for recovery of dues of ₹ 0.61 crore (Principal: ₹ 0.40 crore and Interest: ₹ 0.21 crore) in June 2000. The unit paid (December 2009 and February 2011) ₹ 0.17 crore which was adjusted against interest recoverable but no payment was received thereafter except for ₹ 0.12 crore received (December 2016) under no lien account. The Company issued (January 2019) notice after a lapse of 20 years for recoverable amount of ₹ 29.62 crore under SARFAESI Act, 2002. Finally, against recoverable amount of ₹ 32.44 crore, the Company settled (March 2019) the loan at ₹ 0.50 crore (state subsidy) instead of at least ₹ 0.86 crore (value of collateral security)[24] required as per OTS Scheme, 2018. Non-taking over the assets resulted into avoidable loss of

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[22] M/s. A.G. Foods Limited.

[23] State subsidy is to be provided by the Industries Department on commencement of production.

[24] As per clause II (i) of OTS Scheme, 2018, in loan cases where security has not yet been sold, calculation of OTS amount will be outstanding amount of principal *plus* CCA expenses OR value of collateral security at the time of disbursement of loan whichever is higher.

interest of ₹ 31.94 crore. Moreover, while settling the loan under OTS Scheme, 2018 at reduced value of collateral security, ₹ 0.36 crore[25] was short recovered.

Further, as per the terms of the bridge loan agreement, the state subsidy was to be adjusted with the interest and principal recoverable from the unit. However, state subsidy was adjusted against OTS amount. Similarly, in another unit[26], state subsidy of ₹ 0.50 crore was adjusted (November 2021) against OTS amount of ₹ 1.11 crore.

The Management stated (May 2023) that as per the request of the Punjab Agro Industries Corporation Limited (PAIC), time was given to the unit[27] for repayment of dues to the Company for rehabilitation. Further, the Company issued notice under SARFAESI Act to pressurise the unit to opt for OTS and recovery of bridge loan of ₹ 0.50 crore against state subsidy was made under OTS Scheme. The reply was not acceptable as the Company should have initiated recovery proceedings under the SFCs Act in June 2000 as the collateral security has no relation with the equity investment of PAIC. Further, notice under SARFAESI Act issued just for pressurising the unit for opting for OTS was also against the financial prudence of the Company.

5.4.2.3 *Allowing frequent opportunities to the unit*

In a case of a jointly financed unit[28], the unit did not repay the loans of ₹ 1.65 crore[29] and became (October 1995) NPA. But the Company did not initiate any action for recovery of loans against the unit. The unit had opted for settlement under the OTS Scheme, 2009 but it was cancelled (August 2012) due to default in making payment. The Company decided (May 2014) to initiate recovery proceedings against the unit under SARFAESI Act, 2002. The unit did not opt under subsequent OTS Schemes of 2015/2017 and action under SARFAESI Act was kept in abeyance (May 2015, May 2016 and November 2017) as per the request of the unit.

The promoter of the unit requested (March 2017) for OTS under lapsed OTS Scheme 2015 as arrangement of ₹ 5.50 crore was made by disposing of personal assets for payment of loans against the OTS amount of ₹ 5.49 crore (Company: ₹ 3.24 crore and PFC: ₹ 2.25 crore), however, the same was not accepted. Finally, the Company issued (January 2018 and April 2018) notice under SARFAESI Act to the unit for recovery of ₹ 85.14 crore. But the action was again kept (June 2018) in abeyance as the unit deposited (June 2018)

[25] Value of collateral security: ₹ 0.86 crore *less* state subsidy: ₹ 0.50 crore.

[26] M/s Persian Carpets and Textile Limited.

[27] M/s. A.G. Foods Limited.

[28] M/s. Punjab Tissues Limited (PFC: ₹0.90 crore and Company: ₹ 1.65 crore).

[29] Disbursed in April 1990 to March 1995.

₹ 0.10 crore with the Company and intimated that the new OTS Scheme 2018 was under active consideration of GoP. Despite availability of funds/assets with the promoter, action was not initiated for taking over the assets under SARFAESI Act nor against the promoters/guarantors of the loan, rather the loan was settled (March 2019-January 2020) at OTS amount of ₹ 1.65 crore[30]. This resulted in favour to the unit and consequential loss of ₹ 1.06 crore[31] to the Company involving financial sacrifice of ₹ 111.88 crore. Besides, PFC also suffered loss of ₹ 1.70 crore involving financial sacrifice of ₹ 115.44 crore.

The Management, while admitting the facts, stated (May 2023) that action under SARFAESI Act was kept in abeyance as per the request of the promoter of the unit in view of forthcoming OTS scheme. The reply was not acceptable as the Company should have initiated timely action against the unit and the promoters/guarantors for recovery of its dues to safeguard its financial interest without waiting for suitable OTS Scheme in favour of the unit.

5.4.2.4 *Non evolution of system for ensuring simultaneous settlement of cases*

As per OTS Scheme, multiple loans granted by the Government/Company/ PFC were to be settled simultaneously. But the Company has not evolved any system for enquiring about the status of loans recoverable by the Government from the loanee unit/Government Department concerned for simultaneous settlement of loans under the OTS Scheme. However, Audit noticed that the Company settled (September 2021) its loan with the unit[32] under OTS Scheme 2018 at ₹ 0.23 crore (against recoverable amount of ₹ 82.27 crore) without simultaneously settling of loan of ₹ 2.33 crore[33] of The Director of Industries and Commerce (DIC), Punjab.

The Management stated (May 2023) that the unit cleared the outstanding dues of the Company under OTS Scheme and in view of outstanding dues towards Government, no due certificate (NDC) has not been given to the unit/guarantor and the Government is free to take action for recovery of its dues as per the terms of the covenants. The reply was not acceptable as the Company should have safeguarded financial interest of the Government while settling loans as per the OTS Scheme. Withholding of NDC after receipt of ₹ 0.23 crore only does not serve the purpose of simultaneous settlement.

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30 Principal amount of loan *plus* expenses.

31 On account of differential amount (₹ 2.71 crore (49.35 *per cent* of ₹ 5.50 crore) – ₹ 1.65 crore = ₹ 1.06 crore) of OTS between OTS Scheme 2015 and OTS Scheme 2018.

32 M/s. Organic Chem Oils Limited.

33 Principal: ₹ 0.54 crore and Interest: ₹ 1.79 crore.

5.4.2.5 Application of incorrect OTS Scheme

A joint financed unit[34], became defaulter and the assets of the unit were taken over (March 1998) and valued (March 1998) at ₹ 0.86 crore[35]. But no action was taken against the promoters/ guarantors by the Company to recover the dues. The Company could not dispose of the assets of the unit despite several advertisements. The value of land & building was got reassessed (August 2016) at ₹ 2.18 crore and plant and machinery at ₹ 0.24 crore. The machinery was disposed of (April 2018) at ₹ 0.18 crore but no action was taken for sale of land.

As per the OTS Scheme 2018, in jointly financed cases, the OTS Scheme of the lead institution (having original title deed of mortgaged property) was applicable and where PFC was in the lead, the OTS amount was to be the total amount outstanding i.e. principal *plus* interest *plus* expenses on the first date of default and simple interest at the rate of 5 *per cent per annum*. The unit requested (July 2020) for settlement under OTS and the loan account was settled (April 2021) at ₹ 1.47 crore (on the basis of the valuation of prime security)[36] instead of ₹ 3.02 crore as per amount arrived at under OTS Scheme of PFC, being the lead financial institution. Settlement of account by applying incorrect scheme resulted in favour to the unit and consequential short recovery of ₹ 1.26 crore involving foregoing of outstanding dues of ₹ 188.15 crore. Similarly, PFC also short recovered ₹ 0.57 crore involving financial sacrifice of ₹ 20.88 crore.

The Management stated (May 2023) that the original title deeds of mortgaged property was lying with the Company as the same were mortgaged (equitable) to the Company prior to PFC and accordingly, the OTS Scheme of Company was applicable and not of PFC. The reply was not acceptable as the records of the Company show that PFC was the lead institution in this case and hence OTS Scheme of PFC was to be applied.

5.4.2.6 Undue favour and inordinate delay in taking over the assets of the unit

The Company disbursed (March 1991, October 1993 and October 1994) three term loans of ₹ 0.70 crore, ₹ 1.05 crore and ₹ 1.05 crore respectively to a loanee unit[37]against exclusive charge of land and building and plant and machinery of its Bhatinda unit. At the request of the unit, the Company further disbursed (January 1995) short term loan (STL) of ₹ five crore.

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34 M/s. Phyto Chemicals Limited (PFC: ₹ 0.49 crore and Company: ₹ 1.20 crore).

35 Land and Building: ₹ 0.38 crore and machinery: ₹ 0.48 crore.

36 As per clause II (i) of OTS Scheme, 2018, in loan cases where security has not yet been sold, calculation of OTS amount will be outstanding amount of principal *plus* CCA expenses OR average of the market value of the prime security or realisable value as assessed by the two valuers on the panel of the financial institutions whichever is higher of the two.

37 M/s. ROM Industries Limited.

Audit observed that the loan was disbursed without formulating any policy for STLs, obtaining any additional security and without prior approval of the Board of Directors (BoD). BoD, while granting *ex post facto* sanction, decided in principle that exposure to all Fund Based Activities[38] would not be more than ₹ 50 lakh in future. The unit defaulted in repayment and became NPA but no action for taking over the assets was initiated under section 29 of SFC Act despite it being decided (October 1996) in the Inter-Institutional Meeting[39] to recover the dues as fast as possible as the unit was likely to be referred to BIFR. Though the turnover of the unit was ₹ 303.40 crore (1995-96), yet in view of losses (₹ 35.54 crore) suffered on account of damage to uninsured export stock awaiting shipment (₹ 32.83 crore) during cyclone (June 1996), the unit approached (1997) BIFR which opined (April 2004) to wind up the unit. The recoverable dues were ₹ 30.57 crore including principal amount of ₹ 6.43 crore as in March 2004.

However, the Company took over (January 2013) the assets of the unit under SARFAESI Act, 2002 after a lapse of 10 years. The Company sold (June 2017) the plant & machinery at ₹ 2.80 crore. The unit offered (February 2019) for settlement of loan under OTS and the Company accepted (March 2019) the OTS at ₹ 12.44 crore. Moreover, the security of the unit was released partially (one-third of the land) to facilitate the unit to make payment under OTS, which was not provided in the OTS Scheme. Finally, the loan was settled (September 2020) under OTS Scheme, 2018 at ₹ 12.44 crore.

Extending STL and delay in initiation of action to take over the assets under SFC Act/ SARFAESI Act resulted in undue favour to the unit and settlement under OTS resulted in relieving the promoters/ guarantors from liability of ₹ 573.96 crore (including avoidable loss of ₹ 444.79 crore on STL of ₹ five crore).

The Management did not furnish specific reply (May 2023) but admitted that partial release of security was made to help the promoters to honour its commitment under OTS Scheme. The fact, however, remains that the Company has acted against the provisions of the OTS Scheme.

5.5 Conclusion

There were inordinate delays in invoking provisions of SFC Act/SARFAESI Act and in initiating action to take over the assets of the defaulting units. There was no system to trace the whereabouts of the promoters/guarantors and their properties for taking timely action to recover the outstanding dues. Lack of action/delay on the part of the Company led to accumulation of Non-Performing Assets of ₹ 17,214.53 crore. Recovery made under various

[38] Subscription to equity shares, bonds, debentures, underwriting of shares, grant of bridge loans and short term loan.

[39] Involving other lending institutions.

OTS Schemes was meagre and as such the State Government was burdened with payment of guaranteed bonds (₹ 113.38 crore paid and ₹ 366.44 crore pending for payment as on March 2022).

5.6 Recommendations

The Company may:

- *strengthen the recovery mechanism by taking timely action to take over the assets/sale of assets of the defaulting units;*
- *take steps to evolve a system to ascertain the whereabouts of the promoters/ guarantors and trace their properties for taking timely action to recover the outstanding dues; and*
- *ensure settlement of cases of NPAs as per OTS Schemes and also to safeguard financial interest of the Company while providing relief to the defaulters.*

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

Chapter-VI

Compliance Audit Observations (Departments)

Chapter-VI

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

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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.

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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).

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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.

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.

Chapter-VII

Compliance Audit Observations
(State Public Sector Enterprises)

Chapter-VII

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 12 audit observations having financial implication of ₹ 95.95 crore.

POWER DEPARTMENT

Punjab State Power Corporation Limited

7.1 Delay in charging capital expenditure on terminated projects

Delay in charging capital expenditure of ₹ 3.37 crore on terminated projects in tariff led to interest loss of ₹ 2.31 crore.

The Manual on Capital Expenditure and Fixed Assets of Punjab State Power Corporation Limited (Company), at Chapter X, provides that expenditures incurred on a project which have been rejected, be charged to revenue expenditure as and when the project is rejected.

The erstwhile Punjab State Electricity Board (now Company) had decided (June 2008) to develop 2x250 MW power plants at Guru Nanak Dev Thermal Plant (GNDTP), Bathinda and Guru Hargobind Thermal Plant (GHTP), Lehra Mohabbat each. The consultancy works for development of the two thermal plants were awarded (September 2008) to a firm for ₹ 7.50 crore *plus* taxes each. The Company also made payment of ₹ 3.37 crore on issuance of letter of award. Subsequently, owing to difficulties in obtaining environmental clearance for GNDTP Bathinda and land acquisition for GHTP Lehra Mohabbat, the consultancy works were first put on hold (November 2008) and then finally terminated (August 2012) under 'Drop Dead Fee' clause *i.e.* without any further payment.

However, despite rejection of the two projects and termination of consultancy works, the expenditure of ₹ 3.37 crore incurred was not timely charged to revenue as specified in the Rules. The same was finally charged to revenue in February 2021 *i.e.* after a lapse of more than eight years from the rejection/ termination of the project and accordingly claimed by the Company. The Punjab State Electricity Regulatory Commission allowed the same in tariff for the year 2022-23[1].

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[1] True-up for the year 2020-21 carried out based on audited financial statements in tariff order for the year 2022-23.

The delay of more than eight years in charging the capital expenditure incurred on terminated projects to revenue and consequent delay in cost recovery through tariff has led to interest loss of ₹ 2.31 crore[2].

The Government replied (March 2023) that the case for deciding about the expenditure incurred on terminated consultancy works was taken up during 2018-19 and the expenditure was booked (February 2021) in losses after obtaining approval (February 2021) of BoD.

The reply was not acceptable as the decision to write off the expenditure incurred on terminated consultancy works was taken after a delay of more than eight years in non-observance of the Company's own manualised instructions on the topic.

Recommendation: The Company must follow its manualised instructions in relation to accounting of income and expenditure in a timely manner.

7.2 Lapse of grant

The Company delayed initiating action to get forest clearance leading to DDUGJY projects remaining incomplete and lapse of grant amounting to ₹ 2.44 crore. The Company also made wrongful claim of grant amounting to ₹ 1.57 crore in these projects.

Government of India (GoI) launched (December 2014) Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) for (i) separation of agriculture and non-agriculture feeders facilitating judicious rostering of supply to agricultural and non-agricultural consumers in the rural areas and (ii) strengthening and augmentation of sub-transmission & distribution infrastructure in rural areas including metering at distribution transformers/feeders/consumers end.

Rural Electrification Corporation Limited (REC), a GoI public sector enterprise, was the nodal agency for operationalisation and implementation of the scheme under the overall guidance of Ministry of Power, GoI. The Company was the State project implementing agency, responsible for implementation of the scheme within the scheduled completion period. The Government of Punjab was to provide required land for sub-stations and facilitate in obtaining other statutory clearances *viz*, right of way, forest etc. The funding mechanism for DDUGJY was sixty *per cent* of the project cost to be provided as financial support in the shape of grant by GoI and the balance to be from internal resources.

[2] Calculated at rate of interest on working capital allowed by PSERC in the tariff orders for the years 2016-17 to 2021-22.

REC sanctioned (February 2018) projects valuing ₹ 191.19 crore for segregation of feeders/ agricultural consumer metering in five districts, viz. Gurdaspur, Hoshiarpur, Rupnagar, SAS Nagar and SBS Nagar of Kandi area of Punjab. Accordingly, work contracts valuing ₹ 72.20 crore were awarded (March/April 2018) for Ropar and SAS Nagar districts. These contracts included work for load segregation of existing mixed load 11 KV feeders at Bassi (Anandpur Sahib) and Ghanauli (Rupnagar) with construction/ erection of new proposed feeders at Barwa (Anandpur Sahib) and Saho Majra (Rupnagar) respectively. The construction work of these feeders could not be completed mainly due to pending forest clearances even up to the extended timeline of 31 March 2022, by which time expenditure of ₹ 2.61 crore had been incurred. The Company decided (March 2022) to short close these incomplete works and also decided (April 2022) to get the balance works amounting to ₹ 4.07 crore completed from own resources.

Audit observed (June 2022) that:

- As per contract the Company was responsible for acquiring and providing legal and physical possession of the site and access thereto, including all requisite rights of way. However, the Company submitted proposals for diversion of forest land in its favour after more than three and half years (September 2021) of sanction for construction of these lines.

- REC had expressly clarified (December 2020) that only items installed and commissioned in the project be included in closure. However, the closure proposals submitted (March 2022) by the Company to REC included expenditure of ₹ 2.61 crore incurred up to March 2022 on those feeders also, which were yet to be commissioned. This amount was got approved (March 2022) from REC by wrongly certifying that the assets created under the scheme were erected, tested, commissioned and energised. These incomplete, non-energised and non-commissioned works had been included in closure proposals by the Company solely for the purpose of getting grant from REC.

Thus, delay in initiating action to get forest clearance had not only resulted in lapse of grant amounting to ₹ 2.44 crore (60 *per cent* of ₹ 4.07 crore) but also wrongful claim of grant amounting to ₹ 1.57 crore (60 *per cent* of ₹ 2.61 crore) under DDUGJY.

The Government replied (June 2023) that to minimise the expenditure and delay under DDUGJY project, the Company adopted the approach of rerouting/re-engineering the feeders and erection of composite lines wherever possible to avoid confrontation with the Forest department. The reply was not acceptable as the Company could not complete the work within stipulated period since it submitted proposal for forest clearance after more than three and half years of sanction for construction of these lines.

Recommendation: The Company may initiate timely action for obtaining statutory clearances and ensure regular follow up to safeguard its financial interests.

7.3 Loss of revenue on account of fixed charges

Indecision on the part of the Company to release extension of load to a consumer resulted in losing the opportunity to earn revenue of ₹ 1.87 crore on account of fixed charges.

Regulation 9.3.1 of Supply Code, 2014 provides that the distribution licensee *i.e.* the Company shall be entitled to get security (works) deposited from an applicant against estimated expenditure for providing electric line or electrical plant, as the case may be, worked out on the basis of standard cost data and communicated to the applicant through demand notice. However, where multi-circuit towers/supports are used for erecting a single circuit (SC) line/feeder for the applicant, the cost of only SC towers/supports shall be recoverable.

An existing industrial consumer[3] under large supply (LS) category applied (February 2020) for extension[4] in load. Central Zone, PSPCL, Ludhiana proposed (April 2020) to release the connection from the existing line by stringing a new circuit on the existing double circuit (DC) towers. However, Feasibility Clearance Committee (FCC) of the Company decided (September 2020) to allow extension of load by erecting six new multi-circuit towers in place of the existing five DC towers and erecting new 66 KV bay & 66 KV line on these multi-circuit towers. As per feasibility clearance (September 2020), the consumer was asked (October 2020) to bear the actual cost of dismantling five existing DC towers and SC line and erection of six new multi-circuit towers and DC line. Accordingly, a demand notice amounting to ₹ 2.03 crore was issued (01 March 2021) to consumer.

Aggrieved by this, the consumer filed (February 2021) a petition in the Punjab State Electricity Regulatory Commission (Commission) which directed (July 2021) for recalculation of charges recoverable for release of extension in load/demand as per provisions of Supply Code, 2014. The Company issued (13 September 2021) a revised demand notice for deposit for works of ₹ 1.44 crore which was deposited (17 September 2021) by the consumer.

3 M/s. G O Steels Private Limited.

4 Existing sanctioned load of 2197 KW and contract demand of 2000 KVA and applied for extension in load for 5054 KW and contract demand of 4252 KVA.

The Company, however, shelved its plans to issue the connection through new multi-circuit towers and instead decided (May 2022) to provide connection to the consumer from already existing idle circuit on DC towers. For this, the Company issued (September 2022) a revised feasibility clearance and increased the load with effect from 11 January 2023.

Audit observed (August 2022) that the Company, which was aware of the idle circuit lying unutilised since the last 15 years, decided to erect six new multi-circuit towers to extend the load. This was done despite the Transmission Planning wing of the Company confirming (December 2020) that they had no plans to use the idle circuit in the future, yet the Company remained undecided as to how it would cater to the pending load extension request of the consumer.

The delay of 20 months in granting feasibility clearance for extension of load to the consumer *i.e.* period between the first feasibility clearance (01 October 2020) and revised feasibility clearance (23 May 2022) resulted in the Company losing the opportunity to earn revenue of ₹ 1.87 crore[5] on account of fixed charges[6].

The Government stated (June 2023) that fixed charges loss has been calculated for the period of 01 October 2020 to 23 May 2022, during which the case was not even pending with the Company as feasibility had already been granted to the consumer. They added that if the consumer had done the compliance of feasibility letter and demand notice timely, the connection could have been released in time. The reply was not acceptable as the Company had asked the consumer to bear the cost of dismantling five existing DC towers and SC line and erecting six new multi-circuit towers. Aggrieved by this demand, the consumer approached Commission who ordered to reassess the position as per extant rules and orders. Thus, had the Company acted according to its own Supply rules, the connection could have been released earlier and revenue of ₹ 1.87crore on account of fixed charges earned.

Recommendation: The Company should follow the Supply Code for providing any service to the consumers.

5 4252 KVA x 80 *per cent* x ₹ 260 per KVA per month x 8 months *plus* 4252 KVA x 80 *per cent* x ₹ 285 per KVA per month x 12 months.

6 Fixed charges are charged as 80 *per cent* of the sanctioned contract demand or actual demand recorded during the billing cycle/month (restricted to sanction contract demand), whichever is higher.

7.4 Delay in issuance of sale confirmation order

Delay in issuance of sale confirmation order by the Company resulted in avoidable interest burden of ₹ 1.55 crore.

Government of Punjab decided (December 2017) to phase out Stage-1 units of Guru Gobind Singh Super Thermal Power Plant (GGSSTP) of Punjab State Power Corporation Limited (Company). Accordingly, two units of 210 MW each of Stage-1 of GGSSTP, Ropar were permanently closed with effect from 01 January 2018. The Board of Directors (BOD) of the Company constituted (January 2018) a committee to monitor disposal of the closed units. The BoD resolved (February 2021) for e-auction of assets of both the above units inclusive of surplus spares in a single lot on "As is where is basis" at a reserve price (based on consultant report) of ₹ 135 crore and authorised the Chief Engineer /Stores and workshop of the Company to carry out process of e-auction and place the sale order.

The tender for e-auction was floated (September 2021) and a firm with bid price of ₹ 150.45 crore *plus* GST was declared (28 October 2021) as the highest bidder. As per terms and conditions of the bid document, if the purchaser were to deposit the entire amount in a single instalment (along with all taxes) at the time of paying the first instalment, discount at the rate of five *per cent* on the total sale order value (without taxes) was to be given. The Company issued (06 January 2022) the sale confirmation order after 69 days from date of bid completion and the firm made (19 January 2022) full payment of ₹ 170.34 crore including GST.

Audit observed (May 2022) that the Company which manages its day-to-day activities by availing working capital loans from different banks/financial institutions and incurring huge amount on interest thereon, took 69 days for issuing the sale confirmation order. It was of utmost importance to receive sale proceeds at the earliest to save on interest cost. Though receipt of funds of ₹ 142.93 crore (after discount) was involved still the Company took more than two months to issue the sale order and get the assured revenue. In a similar case of disposal (September 2020) of four scrapped units of Guru Nanak Dev Thermal Plant (GNDTP), Bathinda, the Company took 28 days from bid completion date to the issuance of sale confirmation order involving ₹ 164.10 crore.

Thus, the delay in issuance of the formal sale order resulted in avoidable interest burden of ₹ 1.55 crore[7].

[7] Calculated (after giving cushion of 30 days for placing the sale confirmation order after going through all the formalities) for 39 days at rate of 10.13 *per cent* per annum being interest on working capital allowed by PSERC in the tariff orders for the years 2021-22.

The Government stated (May 2023) that agenda for the sale order was required to be approved by BoD but as the meeting of BOD was not scheduled, the agenda for the sale order was approved by Whole Time Directors subject to ratification by BOD. The fact, however, remains that the delay in this case resulted in the Company incurring avoidable interest cost.

Recommendation: The Company should initiate action immediately in cases of receipt of revenue to safeguard its financial interest.

7.5 Non-clubbing of multiple connections

The Company released multiple connections at a single address to firms having same GST number and in the process lost revenue of ₹ 0.82 crore due to non-clubbing of connections.

Supply Code 2014 of the Punjab State Power Corporation Limited (Company) provides that there should be only one electricity connection in one premise. Electricity Supply Instruction Manual, 2018 of the Company also provides that consumers should not take more than one connection in the same premise to avoid conversion of supply to higher voltage and application of different schedule of tariff. However, another electricity connection in the same premise may be allowed to a separate entity if it satisfies the following conditions:

(a) it is a separate unit in duly partitioned premise owned or taken on lease/ rent;

(b) it is registered as a separate entity/ firm under the relevant law;

(c) it holds a separate GST number and is independently assessed for income tax, as may be applicable.

When a consumer is found to have more than one connection in the same premises (in same or different names), the distribution licensee shall, after serving a notice of not less than 15 days or on request by the consumer for clubbing of connections, effect supply at one point in case the consumers located in the same premises are entitled to one connection only and switch over to HT supply at the consumer's cost if the connected load of all such entities in the same premises exceeds 100 KW/KVA. All such consumers shall from the date of expiry of notice be billed under the relevant tariff category applicable to the total connected load /contract demand. Further, voltage surcharge shall be levied as per General Conditions of Tariff in the event of supply not being converted to voltage levels within the specified period.

Audit observed (March 2022) that four Medium Supply (MS) industrial connections having collective load of 399 KVA were running at 400-Volt supply level in the same premises and being billed individually as detailed below:

Sr. No.	Name of Consumer	Name of the Firm	GST No.	Account Number	Contract Demand (KVA)	Date of release of connection
1.	Sh. Lekh Raj S/o Sh. Ram Chand	Jyoti Plastic	03xxxxxxxxxx1Z3	3002802382	100	30-04-2005
2.	Sh Vijay Kumar S/o Sh. Ram Chand	Jyoti Plastic	03xxxxxxxxxx1Z3	3002802387	100	25-04-2006
3.	Sh. Rohit Arora S/o Sh. Lekh Raj	Shivam Plastic	03yyyyyyyyyy1ZT	3002802407	100	25-06-2012
4.	Sh. Vijay Kumar S/o Sh. Ram Chand	Jyoti Plastic	03 xxxxxxxxxx1Z3	3015075297	99	07-02-2018
Total					**399**	

Source: Information provided by the Company

All the above four connections taken in individual names appeared to belong to members of the same family. Scrutiny of lease documents provided to Audit showed that all the connections were running from the same premises/address. Three of these connections even catered to a single firm having the same GST number. Thus, the Company should have clubbed and billed these four different connections as one as per extant regulations.

Thus, the Company lost revenue of ₹ 0.82 crore[8] due to non-adherence to the extant regulations regarding clubbing of load and will continue to lose revenue as no action has been taken (June 2023) to club these connections.

The matter was referred (March 2023) to the Company and the Government; their replies were awaited (February 2024).

Recommendation: The Company should ensure the compliance of supply code regulations while releasing connections and fix responsibility on its officers/officials.

7.6 Non-recovery of revenue

Delay in billing of a single point consumer by more than three years and consequential litigation resulted in non-recovery of revenue of ₹ 3.09 crore with associated interest cost of ₹ 2.03 crore.

Regulation 30 of Punjab State Electricity Regulatory Commission (Electricity Supply Code and Related Matters) Regulations, 2014 provides for issuance of bi-monthly bills to domestic and non-residential supply consumers with

[8] For the period April 2018 to June 2023.

connected loads less than 50 KW and monthly bills to all other category of consumers. The adherence to the prescribed billing periodicity is imperative for timely realisation of energy charges.

The Company released (July 2004) a single point electricity supply connection to a consumer[9] for his colony under Kharar Division. As per prevalent instructions, residents of the colony were provided individual electricity connections by the Company and the consumer was billed for the difference of energy consumed by single point connection supply meter and sum of all individual consumer meters installed in the colony. The consumer paid bills regularly up to October 2014. However, after introduction of new SAP based billing system by the Company, the monthly bills could not be raised to the consumer due to non-availability of consumption data for individual consumers from November 2014 onwards. The billing issue got resolved after more than three years when the Company issued (March 2018) a bill of ₹ 1.06 crore to the consumer for the period November 2014 to October 2017.

The consumer did not pay the bill and approached Forum for Redressal of Grievances of Consumers (CGRF), Patiala which decided (May 2019) that the amount be recovered in 18 equal monthly installments without any interest/ surcharge. The Company further issued (June 2019) a bill of ₹ 2.04 crore to the consumer for the subsequent period from November 2017 to April 2019. However, the consumer filed an appeal before Court of Lokpal (Ombudsman), Electricity, Punjab which decided (November 2019) the case against the Company. Aggrieved by this, Company filed a writ petition before the Punjab and Haryana High Court against the decision. The High Court concluded that the officials of the Company had not issued the bills promptly and remitted (August 2020) the matter back to Lokpal for deciding it afresh. The Lokpal set aside (December 2020) the demand for ₹ 1.06 crore and directed the Company to recalculate the bill as per applicable regulations. Accordingly, a fresh bill of ₹ 3.09 crore[10] for the period November 2014 to April 2019 was raised (October 2021) which, however, was not realised (June 2023).

Audit observed (January 2021) that due to failure of the Company to issue monthly bills to the consumer, it could not realise ₹ 3.09 crore even after lapse of three to eight years. Further, billing for the period May 2019 to September 2021[11] was yet to be carried out leading to further loss.

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9 M/s Bajwa Developers Private Limited.

10 after adjusting ₹ 42.61 lakh deposited by the consumer during the Court proceedings.

11 Date of takeover of system from consumer by the Company.

Thus, inordinate delay in billing of the consumer by more than three years and consequential litigation have resulted in non-recovery of at least ₹ 3.09 crore even after lapse of three to eight years with associated interest[12] cost of ₹ 2.03 crore on the outstanding amount, as the Company is dependent on loans from banks for its working capital requirements. Disciplinary action initiated against erring officials was yet to be finalised (June 2023).

The matter was referred (February 2023) to the Company and the Government; their replies were awaited (February 2024).

Recommendation: The Company should strengthen its billing and monitoring system to promptly detect any omission or non-billing of any consumer to realise its revenue in time, across all its circles.

Punjab State Transmission Corporation Limited

7.7 Injudicious waiver of Late Payment Surcharge

Waiver of Late Payment Surcharge of ₹ 67.32 crore recoverable for 2014-20 resulted in loss of ₹ 37.46 crore on account of financing cost.

Punjab State Transmission Corporation Limited (Company) is entitled to recover transmission charges from Punjab State Power Corporation Limited (PSPCL) as per the annual transmission tariff finalised by the Punjab State Electricity Regulatory Commission (Commission) in accordance with applicable tariff regulations[13]. These regulations and the transmission agreement (February 2014) between the Company and PSPCL provide that in case the payment of bills for transmission charges is delayed by PSPCL beyond the prescribed period from the date of billing, a Late Payment Surcharge (LPS) at the rate of 1.25 *per cent* per month or part thereof on the unpaid amount shall be levied.

Audit observed (November 2021) that during the period 2014-20, PSPCL had made delayed payment of transmission charges amounting to ₹ 3,548.95 crore beyond the prescribed time limit. The period of delays ranged up to 124 days. The Company, from time to time, raised bills for LPS amounting to ₹ 67.32 crore up to March 2020 against delayed payments. Subsequently, the Company waived off (June 2021) this amount and further decided to reduce the rate of LPS charged in bills to one *per cent* per month or part thereof with

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12 Calculated at rate of interest on working capital allowed by Punjab State Electricity Regulatory Commission in the tariff orders for the year 2014-15 to 2022-23.

13 "The Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply Tariff) Regulations, 2014" and "The Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply Tariff) Regulations, 2019".

effect from April 2020 as against the prevalent rate of 1.25 *per cent* per month or part thereof for the days of delay.

Audit further observed that the decision of the Company to completely waive off the LPS recoverable from PSPCL and reduction in rate of LPS was not prudent as the Company was legally entitled to recover it from PSPCL in accordance with tariff regulations and the *ibid* transmission agreement.

Further, the waiver of LPS was mainly based on the premise that the Company would not benefit since the entire income from LPS would be treated as non-tariff income for the purpose of determination of tariff. PSPCL, on the other hand would suffer as payments of LPS would be disallowed in its tariff determination.

This justification/reasoning of the Company was not correct as only net revenue from LPS (LPS of ₹ 67.32 crore less financing cost of LPS of ₹ 37.46 crore) would be treated as non-tariff income as per extant tariff regulations. Hence, the financing cost of ₹ 37.46 crore was a clear and explicit loss borne by the Company.

Thus, the injudicious and imprudent decision of the Company to waive off LPS bills from PSPCL resulted in loss of ₹ 37.46 crore on account of financing cost.

The Government stated (February 2024) that PSPCL had requested (June 2017) to withdraw LPS bills while also claiming interest on outstanding balances under Inter Corporation Transaction (ICT) accounts up to March 2016. In order to resolve the issue, a meeting was held (April 2021) between top management of both the companies and it was decided to waive off the LPS receivable from PSPCL up to March 2020.

The reply was not acceptable as there were no regulations/contractual arrangements regarding interest obligations on ICT accounts and the same were unenforceable, unrelated and irrelevant to the statutory and contractual obligations under transmission agreement and tariff regulations.

Recommendation: The Company should safeguard its financial interest by strictly working as per extant guidelines/regulations issued by the Commission.

INDUSTRIES AND COMMERCE DEPARTMENT

Punjab State Industrial Development Corporation Limited

7.8 Irregular payment of gratuity

The Company did not follow the Punjab Civil Services Rules, 2016 for payment of gratuity on retirement of employees leading to excess/ irregular payment of gratuity of ₹ 86.26 lakh during the period July 2019 to December 2021.

Clause 6.16-AA (3) of The Punjab Civil Services Rules, 2016 (Volume-II) of Government of Punjab (GoP) provides that in case of Government employees retiring on or after the first day of January 2006, the amount of gratuity shall be one fourth of the monthly emoluments[14] of the employee for each completed six monthly period of qualifying service subject to 16.5 times (i.e. for maximum 33 years) the emoluments in case of Group-A, Group-B and Group-C employees and 17.5 times (i.e. for maximum 35 years) the emoluments in case of Group-D employees, provided that in no case such gratuity shall exceed ten lakh rupees. Department of Finance, GoP while implementing recommendations of the Sixth Punjab Pay Commission revised (October 2021) the maximum limit of Retirement-cum-Death Gratuity from ₹ 10 lakh to ₹ 20 lakh *w.e.f.* January 2016. As per directions (May 2002) of GoP, the State Public Sector Enterprises (SPSEs) are required to maintain parity of pay, allowances and perquisites of their employees with that of State Government employees.

Punjab State Industrial Development Corporation Limited (Company) took up (July 1979) Group Gratuity Insurance Scheme with the Life Insurance Corporation of India (LIC) to meet contractual obligations in respect of gratuity due to its employees under the Gratuity Act, 1972. The Company is paying premium towards Group Gratuity Insurance Scheme to LIC which is charged as business expenditure in the year of payment. The Company works out the amount of gratuity payable to an employee at the time of retirement and sends the case to LIC. LIC credits the amount towards claim of gratuity to the bank account of the Company which is subsequently paid to the retiring employee.

Audit observed (April 2022) that the Company did not follow the Punjab Civil Services Rules in case of 12 employees who retired from service during the period July 2019 to December 2021 due to which excess amounts were paid to them. However, being a State PSE, the Company was required to pay gratuity

[14] Basic Pay + Grade Pay + Interim relief + Dearness Allowance.

as per rules and limits set by the State Government. This resulted in the excess/irregular payment of gratuity of ₹ 86.26 lakh by the Company.

The Management stated (February 2023) that the Company is following the LIC Group Trust rule executed with LIC and gratuity to each employee is being paid according to the said rules since 1979. Since the employees of the Company are not entitled to pension, the said clauses should not be applicable to the Company.

The reply was not acceptable as the Company have not adhered to the directives of the State Government regarding calculation and payment of gratuity to its retiring employees.

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

Recommendation: The Company must follow the Punjab Civil Services Rules, 2016 for payment of gratuity to its retiring employees. It may also take steps to recover the excess paid and fix responsibility for this lapse.

FOOD, CIVIL SUPPLIES & CONSUMER AFFAIRS AND AGRICULTURE & FARMERS' WELFARE DEPARTMENTS

Punjab State Civil Supplies Corporation Limited, Punjab State Grains Procurement Corporation Limited and Punjab State Warehousing Corporation Limited

7.9 Avoidable interest burden due to deficient system for reconciliation of advance payments

Deficient system for adjustments/ refunds of advance payments and delay in the processing of the same resulted in delay in receipt of funds and blocking of funds led to avoidable interest burden of ₹ 7.39 crore.

State Procuring Agencies[15] (SPAs) are engaged in foodgrains procurement operations for central pool on behalf of Food Corporation of India (FCI)/ Government of India (GoI). The procured grain is collected and stored in gunny bags for delivery to FCI. GoI decided (August 2016) that the procurement of gunny bales for storage of procured foodgrain would be carried out by the office of Jute Commissioner (JCO) *w.e.f.* 1 November 2016. JCO circulated (October 2016) its guidelines according to which SPAs would generate the indent online and make advance payments in the escrow account opened by JCO in Kolkata on behalf of respective SPA. As and when JCO would place a purchase order for procurement of gunny bales on behalf of

[15] Punjab State Civil Supplies Corporation Limited (PUNSUP), Punjab State Grains Procurement Corporation Limited (PUNGRAIN) and Punjab State Warehousing Corporation (PSWC).

SPA, 90 *per cent* of the indent amount would be released as advance payment from escrow account. The balance 10 *per cent* payment will be released after 70 days from the date of first payment. In case of complaints received, the 10 *per cent* payment would be withheld and goods would have to be replaced by the respective seller of gunny bales. Further, the banks would on a real time basis reconcile the position of funds available, funds used and funds lying with them against every indent.

Audit observed (July/August 2022) that the Rabi Marketing Season (RMS) and Kharif Marketing Season (KMS) ends around 15 May and 15 November respectively of each year. Despite the availability of reconciled position of funds lying in the escrow accounts on real time basis against every indent, the SPAs had not taken steps to promptly adjust/ demand refund from JCO of the excess amount while placing the subsequent indents. Due to this, excess funds remained in the escrow account.

Further**,** after the end of one season and before start of the next season, the SPAs had ample time to reconcile/adjust the funds remitted to JCO. However, the SPAs did not evolve any system for reconciliation of advances given to JCO after the completion of the season. As a result, SPAs had recoverable amount of ₹ 265.05 crore[16] pertaining to crop years RMS 2019-20 to KMS 2021-22 from the JCO. The amount was adjusted after delays ranging from 55 days to 786 days[17] due to which the SPAs had to bear avoidable interest burden of ₹ 7.39 crore[18].

PUNSUP stated (April 2023) that they are in correspondence for refund/adjustment of excess amount lying with the JCO, Kolkatta. PUNGRAIN and PSWC stated (May 2023/January 2024) that the loss of interest in procurement of gunny bags is an operational issue and the Company has made all efforts to avoid the same and the matter has been raised at various levels. The State Government (Department of Food and Civil Supplies and Consumer Affairs) has endorsed (May 2023) the reply of PUNGRAIN. The replies were not acceptable as the advance amount pertaining to PSWC (₹ 102.27 crore), PUNSUP (₹ 38.33 crore) and PUNGRAIN (₹ 124.45 crore) got adjusted after delays of 61 to 192 days, 62 to 458 days and 55 to 786 days respectively.

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16 Information regarding reconciliation and refund received from JCO during RMS 2019-20 to KMS 2021-22 was sought from the Punjab State Grains Procurement Corporation Limited but the same was awaited (June 2023). Data was obtained by Audit from Jute Smart Portal (an online portal for placing indents related to procurement of jute bales).

17 Audit considered the delay beyond 45 days for reconciliation post completion of the season to the date of actual receipt of refund during RMS 2019-20 to KMS 2021-22.

18 Difference of interest paid on CCL limit (8.73 to 10.13 *per cent per annum*) and interest earned on escrow account. Highest rate of interest received on escrow account for the year has been considered. State Bank of India rates for fixed deposit of the year 2019-20 have been taken due to non-availability of rates.

The matter was referred (January 2023) to the Government (Agriculture and Farmer's Welfare Department) in respect of PSWC and PUNSUP, their reply was awaited (February 2024).

Recommendation: The SPAs may monitor/ review the status of idle funds lying in the escrow account and take timely action to refund/adjust from the JCO.

FOOD, CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

Punjab State Civil Supplies Corporation Limited

7.10 Embezzlement of Paddy

Violation of the Custom Milling Policy, agreement between the Company and the miller and lapses in monitoring led to embezzlement of paddy valuing ₹ 10.84 crore.

Punjab State Civil Supplies Corporation Limited (Company) procures paddy for the Central Pool on behalf of the Government of India (GoI), stores it with rice millers allotted by the Department of Food, Civil and Consumer Affairs (DFSC), Government of Punjab; gets it milled from the millers and delivers the resultant rice to Food Corporation of India (FCI) as per the Custom Milling Policy (CMP) of the State Government.

District Office, Gurdaspur of the Company stored (October 2021) 8,381.43 MT of paddy of Kharif Marketing Season (KMS) 2021-22 with a miller for milling and delivery of resultant 5,615.55 MT of rice to FCI up to 31 March 2022. In the physical verification (12 November 2021) of the rice mill conducted by the Company, shortage of 96,995 bags weighing 3,637.31 MT was detected initially which was later updated to 4,610.13 MT of paddy equivalent to 3,088.79 MT rice, valuing ₹ 10.84 crore.

Audit observed (March 2022) as follows:

- CMP provided that in no case shall paddy in excess of maximum permissible allocable quantity of paddy be allocated to any of the mills. However, against the permissible allotment limit of 5,037 MT of paddy, the total paddy stored with the miller was 8,381.43 MT i.e. 66 *per cent* in excess of the allotment limit.

- As per CMP, storage area of paddy was to be videographed and photographs of boundary wall, rice room and stored paddy were to be kept on record. The process of storage was also to be completely videographed. Subsequently, a fortnightly physical verification (PV) was to be conducted which was to be videographed. However, none of these laid down checks was followed by the Company.

- CMP provided that the miller shall submit a cheque of 50 *per cent* value of the paddy prior to the start of storage . The miller shall submit a cheque for the remaining 50 *per cent* value of the paddy at the time of completion of storage of the entire allocated quantity in the mill premises. This was with the intention that these cheques could be encashed in case of default by the miller. However, the cheque amounting to ₹ 9.09 crore submitted by the miller was presented on 25 January 2022 *i.e.* 74 days after noticing the shortages and was dishonored.
- Clause 23 of the Milling agreement provided that a security amount of ₹ 125 for every MT of total paddy or part thereof (including additional paddy) was to be submitted online by 30 September 2021. Accordingly, the miller was required to deposit the security amounting to ₹ 6.29 lakh which also was not deposited by the miller.
- CMP also provided that miller was to install closed-circuit television (CCTV) cameras in the storage area/mill and if the same were not found present during PV, such rice mill was subjected to immediate allocation cut of 20 *per cent* in that present milling season and will face cancellation of registration from the next season. The miller was required to provide live feed of the storage area to the Managing Director/District Manager of the agency concerned and the live feed was to be linked to the portal of the Department. However, the same was not done.

All the above lapses *i.e.* storage of excess quantity of paddy above the allotted quantity, not videographing the stored paddy, presenting the cheques after a considerable delay, not taking additional security as mandated and not checking the installation and functioning of CCTV cameras at the miller's end indicates connivance of the officials/officers of the Company. These led to embezzlement of paddy amounting to ₹ 10.84 crore. The Company issued (January 2022) chargesheets to three of its inspectors and the District Manager concerned. The Company also initiated arbitration proceedings against the miller. However, no final action had been taken against the officials/officers or any recovery made from the miller till date (June 2023).

The Management admitted (April 2023) to the facts and stated that all efforts were being made to recover the loss.

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

Recommendation: The Company may ensure adherence to the terms and conditions of Custom Milling Policy as well as the agreement entered into with the miller to safeguard its financial interests and fix the responsibility of its officials/officers.

7.11 Avoidable payment of wages

The Company made avoidable payment of wages amounting to ₹ 1.92 crore to the Service Provider due to inclusion of imprudent clause in the agreement.

Punjab State Civil Supplies Corporation Limited (Company) is engaged in the business of procurement, storage, supply & distribution of foodgrains, other foodstuff and essential commodities of common consumption. To carry out its activities, the Company engaged services of outsourced staff through a service provider who was selected based on competitive bidding. The Company entered (May 2020) into an agreement[19] with the service provider for availing the services[20] of outsourced staff for its Head Office (HO) located in Chandigarh and various districts offices in the State.

Audit observed (September 2021) that Clause 14 of the agreement provided that the salary and wages of all personnel of the service provider shall be made as per rates notified by the Deputy Commissioner, Chandigarh (DC) for respective categories of employees, from time to time. Accordingly, the Company made payment to the service provider for all outsourced staff irrespective of their place of duty *i.e.* HO or district offices. The Service Provider had deployed from 55 to 155 personnel per month during the period April 2020 to March 2022. Out of these, 30 to 83 outsourced staff were deployed at district offices located outside Chandigarh during this period.

Audit further observed that the General conditions (No. 14) set out in the NIT (November 2018) for the work had envisaged separate rates of wages for the personnel engaged by the service provider and posted at its head office at Chandigarh and those posted throughout the State of Punjab. Salary and wages of the personnel of the service provider were to be paid as per the rates notified by Deputy Commissioner, Chandigarh in respect of categories of employees deployed in Chandigarh office and Labour Commissioner, Punjab in respect of employees posted throughout the state of Punjab and had accordingly called for the rates from prospective bidders. However, while entering into the agreement, this clause was changed and the final agreement provided for payment to all staff at rates notified by DC Chandigarh irrespective of their place of duty. It was also noticed that the Company had received (April 2020) staff requirement from district offices before entering into the agreement with the Service Provider. The rates notified by DC Chandigarh were higher than the rates notified by the Labour Commissioner, Punjab which resulted in the outsourced staff posted in various district offices being paid at rates higher than the applicable rates.

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19 From 7 April 2020 to 6 April 2021 further extended up to 8 September 2024.

20 Under various cadres viz. Secretarial Services, Managerial Services, Management Support, Accounting & Financial Services, Legal Support, Technical Support, Secretarial Housekeeping.

Thus, the Company made avoidable payment of wages amounting to ₹ 1.92 crore to the service provider due to inclusion of imprudent clause in the agreement.

The matter was referred (March 2023) to the Company and the Government; their replies were awaited (February 2024).

Recommendation: The Company should protect its financial interests by restricting its expenditure to the minimum without compromising on its working.

Punjab State Grains Procurement Corporation Limited

7.12 Extra expenditure due to distribution of wheat in 30 kg capacity bags

Failure of the Company to take up the matter with the State Government for reimbursement of extra expenditure incurred on distribution of wheat in 30 kg capacity bags resulted in extra expenditure of ₹ 21.80 crore.

Government of India (GoI) enacted (July 2013) the National Food Security Act, (NFSA) to provide food and nutritional security by ensuring access to an adequate quantity of quality food at affordable prices to the people. Government of Punjab (GoP) signed (August 2014) a Memorandum of Understanding (MOU) with GoI to procure wheat to be distributed to beneficiaries under this Act and made Punjab State Grains Procurement Corporation Limited (Company), the nodal agency. As per the MOU, the Company may procure wheat and distribute the same in 30 kg capacity bags but its reimbursement by GoI was to be made at lower of the two rates *i.e.*, actual expenses or the admissible amount as per the cost sheet approved by GoI for use of 50 kg capacity bags.

The State Government decided to distribute wheat to NFSA beneficiaries in 30 kg capacity bags once every six months from Rabi Marketing Season (RMS) 2014-15 onwards. GoP requested (November 2019) GoI to approve and reimburse the additional cost incurred in procuring more 30 kg capacity bags used by the Company in comparison to the 50 kg capacity bags. GoI approved (January 2020) use of 30 kg capacity bags but declined to reimburse any additional cost. GoP reiterated its request (July 2020) of reimbursement of the actual expenditure incurred on procurement of 30 kg capacity bags for RMS 2018-19, 2019-20 and 2020-21 which was not agreed to.

Audit observed (July 2022) that the Company distributed 20.17 lakh MT wheat to eligible beneficiaries in 30 kg capacity bags during RMS 2019-20, 2020-21 and 2021-22. The Company claimed the cost of 50 kg capacity bags as per the provisional cost sheets from GoI and got reimbursement of ₹ 92.88 crore while its actual cost was ₹ 114.68 crore. The Company was just an implementing agency in NFSA scheme and it was acting as per the directions of GoP/GoI. The Company, being a commercial undertaking, has to safeguard its own financial interest, as such it should have claimed the extra cost incurred by it from the State Government which directed it to use 30 kg capacity bag.

Thus, due to the failure of the Company to take up the matter with the State Government for reimbursement of extra expenditure incurred on distribution of wheat in 30 kg capacity bags, resulted in extra expenditure of ₹ 21.80 crore.

The Government stated (April 2023) that it has discontinued the procurement of 30 kg capacity PP/HDPE bags for packing of wheat under NFSA with effect from RMS 2023-24. The fact, however, remains that the Company had to bear extra expenditure of ₹ 21.80 crore on account of distribution of wheat in 30 kg capacity bags.

Recommendation: The Company should raise the issue with GoP for reimbursing the extra cost incurred on 30 kg capacity bags to protect its financial interest.

Chandigarh
The 25 April 2024

(NAZLI J. SHAYIN)
Principal Accountant General (Audit), Punjab

Countersigned

New Delhi
The 6 May 2024

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

Appendices

Appendix 2.1

(Referred to in Paragraph 2.3.3(i))

Statement showing number of irregular registrations of construction workers

(Amount in ₹)

Sr. No.	Name of the scheme	Total No. of Beneficiaries		Documents checked		Improper Documents attached		Irregular disbursement of Amount	
		Mohali	Patiala	Mohali	Patiala	Mohali	Patiala	Mohali	Patiala
1.	Balari	13	26	10	10	5	4	2,55,000	2,04,000
2.	Shagun	84	97	10	10	8	9	2,48,000	2,79,000
3.	Ex-gratia	61	228	19	15	16	15	33,00,000	39,00,000
4.	Mentally retarded	32	68	10	10	7	4	1,40,000	80,000
5.	Occupational Disease	4	5	4	5	2	5	44,608	3,44,021
6.	Stipend	4,164	13,632	15	17	12	17	1,37,000	1,27,000
7.	Maternity	5	33	5	10	0	7	0	35,000
Total		**4,363**	**14,089**	**73**	**77**	**50**	**61**	**41,24,608**	**49,69,021**

Source: Departmental data

Appendix 2.2

(Referred to in Paragraph 2.4.1)

Statement showing delay in assessment of Cess cases

(Amount in ₹)

Sr. No.	Name of Establishment/Work	Date of Completion of work	Due date of assessment of Cess (7months from date of completion of work)	Actual Date of assessment	Short deposit of Cess pointed out during current assessment	Date of deposit of Cess after assessment order	Delay (in days)	Rate of interest (%)	Loss of interest
1.	Jubilee Square, Aero City, Block -E, Mohali	31-12-2020	31-07-2021	20-05-2021	1,55,906	02-06-2021	-	-	-
2.	Omaxe Green, Jharamari, Derabassi	31-03-2019	31-10-2019	18-06-2021	3,34,754	29-06-2021	607	5.4	30,062
3.	SDB Infrastructure Pvt. Ltd., Sector 115, Kharar	31-12-2020	31-07-2021	26-07-2021	38,23,140	17-08-2021	-	-	-
4.	Spirit Globle Park, Zirakpur	27-03-2015	26-10-2015	28-07-2021	5,82,065	05-08-2021	2110	5.4	1,81,700
5.	Shaurya Suites and Inn. LLP, Ropar	30-09-2013	30-04-2014	27-08-2021	6,50,861	03-09-2021	2683	5.4	2,58,351
6.	Malwa Project Private Ltd., Escon Arena, Zirakpur	31-03-2019	31-10-2019	27-09-2021	13,37,901	28-09-2021	698	5.4	1,38,159
7.	KLV Builders and Promoters, Signature Tower, Sector 66, SAS Nagar	30-09-2017	30-04-2018	10-11-2021	33,00,057	06-12-2021	1316	5.4	6,42,508
8.	Globus Projects Pvt. Ltd., Bestech Square, Sector 66, SAS Nagar	31-03-2016	31-10-2016	30-09-2021	1,49,000	21-10-2021	1816	5.4	40,032
9.	Singla Builders and Promoters Ltd., SBP Homes, Village Chhajju Majra, Mohali	31-03-2021	31-10-2021	07-01-2022	23,26,384	29-03-2022	149	5.4	51,282
10.	Janta Land Promoters Pvt. Ltd., Sector 82, SAS Nagar	31-03-2011	31-10-2011	28-10-2021	25,00,000	22-11-2021	3675	5.4	13,59,247
11.	M/S Avenue Supermarts Limited, Peermuchhalla, Zirakpur	30-11-2018	30-06-2019	08-10-2021	18,96,775	13-10-2021	836	5.4	2,34,597
12.	PVR Ltd., Cinema in Cosmo Plaza, Zirakpur	15-03-2020	14-10-2020	08-06-2022	3,37,443	09-06-2022	603	5.4	30,104
13.	Barnala Developers Green Lotus Avenue, Zirakpur	31-03-2021	31-10-2021	14-07-2022	20,25,766	18-07-2022	260	5.4	77,923
14.	M/S Neelam Hospital, Village Fatehpur Garhi/ Jhansla, Rajpura, Patiala	31-03-2018	31-10-2018	31-07-2019	9,98,886	14-08-2019	287	5.4	42,413
Total					**2,04,18,938**				**30,86,378**

Source: Departmental data

Appendix 2.3

(Referred to in Paragraph 2.4.3)

Statement showing non-deposit of labour cess by Urban Local Bodies

(₹ in lakh)

Sr. No.	Name of Urban Local Body	Year	Cess Collected	Cess Deposited	Balance
1.	Municipal Council, Lalru	2019-20	10.10	0	10.10
2.	Municipal Council, Lalru	2020-21	9.66	0	9.66
3.	Municipal Council, Lalru	2021-22	26.41	0	26.41
4.	Municipal Council, Chamkaur Sahib	2020-21	0.80	0	0.80
5.	Municipal Council, Chamkaur Sahib	2021-22	0.50	0	0.50
6.	Municipal Council, Patran	2019-20	12.76	0	12.76
7.	Municipal Council, Patran	2020-21	10.41	0	10.41
8.	Municipal Council, Patran	2021-22	12.20	0	12.20
9.	Nagar Panchayat Ghaggar, Patiala	2019-20	0.99	0	0.99
10.	Nagar Panchayat Ghaggar, Patiala	2020-21	1.63	0	1.63
11.	Nagar Panchayat Ghaggar, Patiala	2021-22	2.05	0	2.05
12.	Municipal Council, Kharar	2019-20	414.87	154.87	260.00
13.	Municipal Council, Kharar	2020-21	565.59	65.59	500.00
14.	Municipal Council, Kharar	2021-22	745.61	65.61	680.00
Total			**1,813.58**	**286.07**	**1,527.51**

Source: Departmental data

Appendix 2.4

(Referred to in Paragraph 2.5.1(ii))

Avoidable expenditure due to non-availing benefits under GoI Scheme

(Amount in ₹)

Year	Total No. of live registered workers	Insurance premium per person per annum as per Model Scheme	Insurance payable under Model scheme of GoI Exp.	Ex-Gratia Amount disbursed	Available benefit lost
2019-20	1,47,369	171	2,52,00,099	8,84,00,000	6,31,99,901
2020-21	1,90,868	171	3,26,38,428	9,17,30,000	5,90,91,572
2021-22	4,98,014	171	8,51,60,394	11,90,70,000	3,39,09,606
Total			**14,29,98,921**	**29,92,00,000**	**15,62,01,079**

Source: Departmental data

Appendix 2.5

(Referred to in Paragraph 2.6.1(i) and (ii))

Statement showing Irregular disbursement of Interim Relief (IR) from cess fund

(A) Payment of Interim relief of 1st and 2nd Instalment in the month of March and April 2020 to beneficiaries that had completed the age of 60 years before the date of payment.

(Amount in ₹)

Month of payment	No of beneficiary to whom payment made	Amount paid @ ₹ 3,000 per beneficiary.	No. of beneficiaries whose registration ceased due to the completion of age of 60 years	Amount paid @ ₹ 3,000
March-20	2,86,353	85,90,59,000	819	24,57,000
April-20	2,86,353	85,90,59,000	819	24,57,000
Total	**5,72,706**	**171,81,18,000**		**49,14,000**

(B) Payment of Interim relief of 1st and 2nd Instalment in the month of March and April 2020 to beneficiaries who had not submitted certificates showing their engagement in any building or other construction work for not less than ninety days during the preceding twelve months.

(Amount in ₹)

Month of payment	No of beneficiary to whom payment made	Amount paid @ ₹ 3,000 per beneficiary.	No of Beneficiaries not eligible for IR	Amount paid @ ₹ 3,000
March-20	2,86,353	85,90,59,000	286353-(47194+819)*=2,38,340	71,50,20,000
April-20	2,86,353	85,90,59,000	286353-(47194+819)*=2,38,340	71,50,20,000
Total	**5,72,706**	**171,81,18,000**	**4,76,680**	**143,00,40,000**

Source: Departmental data

**47,194 eligible beneficiaries and 819 beneficiaries who had completed the age of 60 years before payments.*

Appendix-2.6

(Referred to in paragraph 2.7.3)

Statement showing shortage of staff vis-a-vis men-in-position

Sr. No.	Name of post	Sanctioned Strength	Actual Men-in-Position			Shortfall
			Regular	Deputation Basis	Outsourcing	
1.	Advisor /OSD	1	-	-	-	1
2.	Deputy Secretary (Welfare)	1	-	-	-	1
3.	Administrative Officer	1	-	-	-	1
4.	Account Officer	1	-	-	-	1
5.	Law Officer	1	-	-	1	-
6.	Superintendent	1	-	-	1	-
7.	Computer programmer	1	-	-	1	-
8.	Jr. Auditor	1	-	-	-	1
9.	Accounts Assistant	4	-	-	3	1
10.	Data Entry Operators	2	-	-	1	1
11.	Assistants	4	-	-	0	4
12.	Assistant Computer operator	91	-	-	84	7
13.	Stenographer	1	-	-	1	-
14.	Steno Typist	1	-	-	1	-
15.	Electrician Cum Lift Operator	1	-	-	-	1
16.	Security Guard	6	-	-	5	1
17.	Drivers	28	-	-	28	-
18.	Peon	33	-	-	33	-
19.	Sweeper	3	-	-	3	-
20.	Mali	4	-	-	1	3
21.	Caretaker	0	-	-	0	-
Total		**186**			**163**	**23**

Source: Departmental data

Appendix 3.1

(Referred to in paragraph 3.1)

List of selected sports infrastructure projects

Sr. No.	Name of the Project	District
State Projects		
1.	Construction of Sports Stadium at Kot Bhai	Sri Muktsar Sahib
2.	Construction of Sports Complex (Phase I) at Rajpura	Patiala
3.	Construction of Sports Stadium at Village Chando Gobindgarh	SAS Nagar
4.	Construction of Sports Stadium at Village Bhathe Ke Bhaini, Patti	Tarn Taran
5.	Construction of Sports Stadium at Government College, Tanda Urmar	Hoshiarpur
6.	Construction of Football Stadium at Mahilpur	Hoshiarpur
7.	Construction of Sports Stadium at Village Harpura Dhandoi	Gurdaspur
8.	Construction of new 10 metre Shooting Range	SAS Nagar
9.	Providing and laying of 400 metre Six Lane Synthetic Athletic Track (Sandwich type) and allied Civil Works at Sri Guru Ram Das Stadium, Guru Har Sahai	Ferozepur
10.	Repair and renovation of Guru Gobind Singh Stadium	Sri Muktsar Sahib
11.	Setting up of Sports University	Patiala
Centrally Sponsored Projects - Khelo India Scheme		
12.	Construction of Multipurpose Indoor Hall at War Heroes Stadium	Sangrur
13.	Construction of Multipurpose Indoor Hall at Smt. Lajwanti Sports Complex	Hoshiarpur
14.	Construction of Multipurpose Indoor Hall and allied works at Village Bhangal Kalan	Nawanshahr
15.	Laying of Synthetic Athletic Track at Guru Nanak Dev Stadium	Amritsar

Source: Departmental information

Appendix 3.2

(Referred to in paragraph 3.3.1(i))

Details of delayed completion and non-functional sports infrastructure projects

Sr. No.	Name of project	Executing agency	Date of allotment	Allotted cost (₹ in crore)	Stipulated month of completion	Release of funds to the executing agency	Actual date of completion	Expenditure incurred (₹ in crore)	Delay in completion over stipulated date (months)	Date of handing over	Reasons for delay in completion	Whether functional	If not, the reasons thereof
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1.	Sports complex Phase-1, Rajpura, Patiala	PSSC	September 2021	1.74	April 2022	Rs 0.39 crore (October 2021); Rs 0.39 crore (February 2022); and ₹ 0.83 crore (October 2022)	September 2022	1.61	5	November 2022	Release of 50 *per cent* funds in the month of October 2022	No	Due to non-shifting of electric poles and transformers which were installed within the boundary wall of the sports complex even prior to commencement of work
2.	Sports Stadium at village Kot Bhai, Sri Muktsar Sahib	PMB	May 2019	1.44	November 2019	₹ 0.50 crore (November 2020); ₹ 0.80 crore (March 2021); and ₹ 0.14 crore (November 2022)	August 2021	1.44	21	September 2022	Delay in release of funds and change in scope of work after allotment.	No	Not functional due to non-removal of defects in construction
3.	Shooting Range, SAS Nagar	P.W.D. (B&R), SAS Nagar (Mohali)	May 2019	8.18	May 2020	₹ 1.78 crore (September 2019); ₹ 0.84 crore (March 2020); ₹ 0.79 crore (July 2020); ₹ 1.20 crore (January 2021); ₹ 2.37 crore (March 2021); and ₹ 0.75 crore (September 2021)	July 2022	7.73	25	July 2022	Due to late release of funds and non-removal of defects in construction.	No	Due to non-procurement and installation of electronic shooting targets
4.	Sports Stadium at Chando Gobindgarh, SAS Nagar	PSSC	September 2021	1.76	April 2022	Not available	August 2022	1.70	4	February 2023	There existed a cremation ground on the said land	Yes	---

Sr. No.	Name of project	Executing agency	Date of allotment	Allotted cost (₹ in crore)	Stipulated month of completion	Release of funds to the executing agency	Actual date of completion	Expenditure incurred (₹ in crore)	Delay in completion over stipulated date (months)	Date of handing over	Reasons for delay in completion	Whether functional	If not, the reasons thereof
1	2	3	4	5	6	7	8	9	10	11	12	13	14
5.	Sports Stadium at Government College, Tanda Urmur, Hoshiarpur	P.W.D (B&R), Hoshiarpur	March 2019	1.22	September. 2019	₹ 0.29 crore (November 2020) ₹ 0.93 crore (March 2021)	February 2023	1.22	41	February 2023	Delay in release of funds	Yes	--
6.	Sports Stadium at Bhathe Bhaini, Patti, Tarn Taran	P.W.D. (B&R), Amritsar	June 2019	1.36	December 2019	₹ 1.36 crore (March 2021)	February 2023	1.36	38	February 2023	Delay in release of funds and due to non-removal of defects in construction	Yes	--
7.	Football Stadium at Mahilpur, Hoshiarpur	PMB/ PSSC	2016 & November 2021 (Re-allotted)	1.97	January 2017 & August 2022 (re-scheduled)	₹ 0.74 crore (2016) ₹ 0.24 crore (February 2022) ₹ 0.14 crore (March 2022) ₹ 0.56 crore (August 2022)	April 2023	1.68* (including 0.74 crore incurred in 2016)	76 (from January 2017)	April 2023	Delay in release of funds, delay in providing structural design and demarcation of land for boundary wall	Yes	--
Total								**16.74**					

Source: Departmental records

** Subsequent payment was yet to be made as no funds were released after August 2022.*

Appendix 6.1

(Referred to in Paragraph 6.3)

Non-payment of Goods and Services Tax

I-GST Payable under Reverse Charge

(Amount in ₹)

Sr. No.	University	Year	GSTIN of service provider	Name of service	Value of Service	Service Recipient's Liability		
						GST Payable*	GST Paid	GST Short Paid
1.	Punjabi University, Patiala	2018-19#	07xxxxxxxxxx1Z0	Security Services	67,49,502	12,14,910	0	12,14,910
		2019-20	07xxxxxxxxxx1Z0	Security Services	25,93,272	4,66,789	0	4,66,789
			04xxxxxxxxxx1ZF	Security Services	3,49,61,036	62,92,986	0	62,92,986
		2020-21	04xxxxxxxxxx1ZF	Security Services	2,27,09,365	40,87,686	0	40,87,686
		2021-22	04xxxxxxxxxx1ZF	Security Services	31,48,622	5,66,752	0	5,66,752
			07xxxxxxxxxx1Z0	Security Services	1,56,69,918	28,20,585	0	28,20,585
Total-I					**8,58,31,715**	**1,54,49,708**	**0**	**1,54,49,708**

With effect from 1 January 2019

* *GST at the rate of 18 per cent*

II-GST Payable under Forward Charge

(Amount in ₹)

Sr. No.	University	Year	GSTIN of service provider	Name of service	Value of Service	Service Recipient's Liability		
						GST Payable*	GST Paid	GST Short Paid
1.	Punjabi University, Patiala	2017-18	07xxxxxxxxxx1Z0	Security Services	3,23,08,702	58,15,566	0	58,15,566
			04xxxxxxxxxx4ZD	Housekeeping	1,38,80,142	24,98,426	0	24,98,426
		2018-19	07xxxxxxxxxx1Z0	Housekeeping	2,58,79,424	46,58,296	0	46,58,296
			04xxxxxxxxxx4ZD	Housekeeping	3,24,63,979	58,43,516	0	58,43,516
		2019-20	04xxxxxxxxxx4ZD	Non-Security	64,81,687	11,66,704	0	11,66,704
			07xxxxxxxxxx1Z0	Housekeeping	4,17,81,450	75,20,661	0	75,20,661
		2020-21	07xxxxxxxxxx1Z0	Housekeeping	1,98,63,057	35,75,350	0	35,75,350
		2021-22	07xxxxxxxxxx1Z0	Housekeeping	1,46,98,387	26,45,710	0	26,45,710
2.	Sardar Beant Singh State University, Gurdaspur	2017-18	03xxxxxxxxxx1ZB	Housekeeping and Security	58,47,855	10,52,614	0	10,52,614
		2018-19	03xxxxxxxxxx1ZB	Housekeeping and Security	28,26,937	5,08,849	0	5,08,849
		2019-20	27xxxxxxxxxx1ZJ	Housekeeping and Security	40,46,458	7,28,362	18,81,242	0
		2020-21	27xxxxxxxxxx1ZJ	Housekeeping and Security	64,04,891	11,52,880		
		2020-21	07xxxxxxxxxx1Z4	Housekeeping and Security	32,90,407	5,92,273	0	5,92,273
		2021-22	07xxxxxxxxxx1Z4	Housekeeping and Security	99,10,028	17,83,805	0	17,83,805
Total-II					**21,96,83,404**	**3,95,43,012**	**18,81,242**	**3,76,61,770**
Gross Total (I+II)					**30,55,15,119**	**5,49,92,720**	**18,81,242**	**5,31,11,478**

Source: Records of the respective Universities

* *GST at the rate of 18 per cent.*

Appendix 6.2

(Referred to in Paragraph 6.8)

Details of recoverable amount of concession fee and interest thereon for the period from 15 April 2009 to 07 April 2022

(Amount in ₹)

Period	Opening Balance	Amount due for the period	Amount received	Balance amount	Interest*	Total outstanding amount
1	2	3	4	5 (2+3-4)	6	7 (5+6)
15 April 2009 to 14 April 2010	--	25,00,000	0	25,00,000	3,96,318	28,96,318
15 April 2010 to 14 April 2011	28,96,318	25,00,000	25,00,000	28,96,318	5,83,551	34,79,869
15 April 2011 to 14 April 2012	34,79,869	25,00,000	0	59,79,869	11,07,177	70,87,046
15 April 2012 to 14 April 2013	70,87,046	25,00,000	25,00,000	70,87,046	17,34,234	88,21,280
15 April 2013 to 14 April 2014	88,21,280	25,00,000	10,00,000	1,03,21,280	20,56,290	1,23,77,570
15 April 2014 to 14 April 2015	1,23,77,570	25,00,000	55,00,000	93,77,570	24,12,297	1,17,89,867
15 April 2015 to 14 April 2016	1,17,89,867	25,00,000	0	1,42,89,867	26,16,651	1,69,06,518
15 April 2016 to 14 April 2017	1,69,06,518	25,00,000	0	1,94,06,517	34,98,995	2,29,05,513
15 April 2017 to 14 April 2018	2,29,05,513	25,00,000	0	2,54,05,513	44,86,788	2,98,92,301
15 April 2018 to 14 April 2019	2,98,92,301	25,00,000	0	3,23,92,301	57,30,641	3,81,22,942
15 April 2019 to 14 April 2020	3,81,22,942	25,00,000	0	4,06,22,942	72,00,372	4,78,23,314
15 April 2020 to 14 April 2021	4,78,23,314	25,00,000	0	5,03,23,314	81,72,712	5,84,96,026
15 April 2021 to 07 April 2022	5,84,96,026	25,00,000	0	6,09,96,026	97,13,492	7,07,09,518
Total	--	**3,25,00,000**	**1,15,00,000**	**2,10,00,000**	**4,97,09,518**	**7,07,09,518**

Source: Departmental data

** Calculated at SBI medium term prime lending rate plus four per cent per annum.*