

Executive Summary

This Report contains seven chapters including Introduction to the Local Government of the Punjab and Overview of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs), Long Draft Paragraphs for PRIs and ULBs and chapters on Special Audits.

Chapter I: Introduction to the Local Government of the Punjab and its Audit

This chapter provides an overview of the local government system in Punjab, pursuant to the 73rd and 74th Constitutional Amendment Acts, 1992, the sources of funds, devolution of functions to PRIs and ULBs, the audit mandate etc. Main issues highlighted in the chapter are as below:

- Punjab has 13,415 PRIs (22 Zila Parishads, 152 Panchayat Samitis, 13,241 Gram Panchayats) and 166 ULBs (13 Municipal Corporations, 101 Municipal Councils, 52 Town Councils) serving rural and urban populations of 173.44 lakh and 98.67 lakh respectively.

Paragraph 1.1

- Against 29 functions listed in the Eleventh Schedule, only 13 functions devolved to PRIs between 2004 and 2006, with 16 functions remaining undeveloped. No new function has been devolved since 2006.

Paragraph 1.3

- For ULBs, while all 18 functions from the Twelfth Schedule have been devolved, ULBs have full jurisdiction over only six functions, overlapping jurisdiction with other departments for 11 functions, and function as mere implementing agencies for one function.

Paragraphs 1.3 and 5.2.1

Chapter II: Overview of Panchayati Raj Institutions

- Significant shortfall in manpower in PRIs, ranging from 11.21 *per cent* to 65.89 *per cent* in respect of key posts was observed.

Paragraph 2.2.2

- During 2018-23, PRIs received total funds ranging from ₹ 2,411.87 crore to ₹ 3,813.46 crore annually, with expenditure varying from ₹ 1,758.93 crore to ₹ 3,001.14 crore.

Paragraph 2.5

- No funds were released to PRIs for the year 2021-22 and 2022-23 despite recommendations of sixth State Finance Commission.

Paragraph 2.6

- Audit observed instances of non-maintenance of Asset Register, Works Register, Land Records Register (both agricultural and non-agricultural), non-preparation of budgets, etc. in test-checked PRIs.

Paragraph 2.8

Chapter III: Long Draft Paras of PRIs

1. LDP on Construction, repair and maintenance of community assets in Panchayati Raj Institutions

Audit observed the following lapses:

- Eleven community assets, intended to create community infrastructure, remain incomplete despite incurring ₹ 140.86 lakh and over three years since the release of grants, thereby defeating their intended purpose.

Paragraphs 3.1.2.1 (i) to (vii)

- Two Gram Panchayats (GPs) (Kainour and Majri) received grants of ₹ 9.00 lakh for the upgradation of Dharamshala and the construction of a public toilet but did not even start the work despite a lapse of more than three years.

Paragraph 3.1.2.2

- Six completed community assets, costing ₹ 7.89 crore, remain unused, leading to unfruitful expenditure and potential deterioration.

Paragraphs 3.1.2.3 (i) and 3.1.2.3 (ii)

- Three community assets created between July 2021 and February 2023, at ₹ 78.80 lakh, were underutilised due to inadequate maintenance.

Paragraphs 3.1.2.4 (i) and 3.1.2.4 (ii)

- The prescribed inspections of GPs by SEPO/PO were not conducted in the test-checked GPs, resulting in a lack of supervision and monitoring.

Paragraph 3.1.3

2. LDP on Land Management in Panchayati Raj Institutions

Audit observed the following issues:

- Prescribed records relating to the panchayat land, which are essential for the PRIs' functions, were not maintained or inspected.

Paragraph 3.2.2.1

- The land was leased out at reduced rates without obtaining the necessary approvals.

Paragraph 3.2.2.2(i)

- In two cases, ₹ 6.31 lakh of auction proceeds were not deposited in the specified accounts, reflecting poor financial controls.

Paragraph 3.2.2.2(ii)

- Unauthorised land occupations measuring 18,123 acres and the irregular utilisation of sale proceeds valuing ₹ 63.33 lakh reflect issues in land and revenue management.

Paragraphs 3.2.2.2(iii) and 3.2.2.3

- There was recoverable rent of ₹ 9.64 crore from the tenants, which adversely affected the revenue collection.

Paragraph 3.2.2.4

Chapter IV: Special Audit of PRIs

- **Lack of recording of the collection of ₹ 8.88 lakh and irregular payment of ₹ 49.53 lakh**

Executive Officers of Panchayat Samitis, Phillaur and Bhogpur did not ensure the recording and accounting of collections received as per the specified rules, highlighting shortfalls in the internal controls and monitoring mechanisms for ensuring proper accounting thereof.

Paragraph 4.1

Chapter V: Overview of Urban Local Bodies

- Audit observed an excess of 5,611 employees against the sanctioned strength in the Municipal Councils and Town Councils, whereas there was a shortage of 8,914 employees in the Municipal Corporations.

Paragraph 5.2.2

- ULBs received funds ranging from ₹ 3,520.47 crore to ₹ 6,600.05 crore, with expenditure varying from ₹ 3,537.23 crore to ₹ 6,472.47 crore.

Paragraph 5.6

- Comparison of the estimated and actual own revenue of ULBs revealed consistent shortfall in revenue collection during 2018-19 to 2022-23.

Paragraph 5.6.2

- State Government did not release amounts recommended by sixth State Finance Commission, the shortfall ranged from 6.74 per cent to 100 per cent.

Paragraph 5.7

- Despite mandate to transfer 14th Central Finance Commission (CFC) grants within 15 working days and 15th CFC grants within 10 working days, the State Government delayed releases to ULBs by up to 157 days, resulting in interest payments of ₹ 18.02 crore.

Paragraph 5.8

- None of the audited ULBs maintained the prescribed Estimate History Register as required under Clause 2.1(ix) of the SOP 2018.

Paragraph 5.9

- Audit observed shortfall in audits of ULBs conducted by the Examiner, Local Fund Accounts during 2019-20 to 2022-23, which was attributed to the diversion of staff and shortage of staff.

Paragraph 5.11

Chapter VI: Long Draft Paras of ULBs

1. LDP on Construction and Maintenance of Roads & Bridges

Audit observed the following lapses:

- Technical sanctions were not obtained for ₹ 4.54 crore worth of works.
Paragraph 6.1.2 (1)
- Municipal Corporation Pathankot issued the work order to the contractor without ensuring an encumbrance-free site led to wasteful expenditure of ₹ 16.93 lakh.
Paragraph 6.1.2 (2)
- There were seven instances in four ULBs (Batala, Baretta, Ajnala and Bhucho Mandi) where the actual expenditure on works exceeded the original estimated costs by 13.21 *per cent* to 38.94 *per cent*.
Paragraph 6.1.2 (3)
- Four ULBs made advance payments of ₹ 221.03 lakh to the contractors contrary to the provision of the Punjab Municipal Accounting Manual.
Paragraph 6.1.2 (4)
- There was delay of more than three years in empanelment of agencies for Special Third-Party Techno-Financial Audit (STPTA). As a result, ULBs executed 88 works valuing ₹ 2,087.51 lakh without the STPTA.
Paragraph 6.1.2 (5)

2. LDP on Revenue Collection in Urban Local Bodies

Audit observed the following lapses:

- The property tax evasion by large institutions like Punjab Agricultural University (₹ 104.12 lakh) and Peninsula Mall (₹ 101.48 lakh) led to significant revenue losses.
Paragraphs 6.2.3.1(i) and 6.2.3.1 (ii)
- Three ULBs did not impose interest of ₹ 20.24 lakh and penal interest of ₹ 6.07 lakh on the delayed payment of External Development Charges on colonisers. Further, interest of ₹ 31.69 lakh on delayed payments of instalments were not recovered.
Paragraphs 6.2.3.2(i) and 6.2.3.2 (ii)
- There was a shortfall in the collection of vendor fees and also wasteful expenditure of ₹ 98.40 lakh incurred on the survey of vendors.
Paragraph 6.2.3.3
- ULBs did not collect user charges of ₹ 126.58 crore (as worked out by Audit) from the waste collectors.
Paragraph 6.2.3.5
- ULBs did not receive Municipal Tax from the Punjab State Power Corporation Limited against the consumption/sale of electricity.
Paragraph 6.2.3.7

Chapter VII: Special Audit of ULBs

- **Withdrawal of ₹ one lakh from Council funds without complying with codal provisions**

Executive Officer of Nagar Council, Maluka withdrew ₹ one lakh by issuing two inflated cheques against approved payments for LED chokes and tap rolls. Duplicate vouchers were later submitted to justify the withdrawals, in violation of accounting procedures. The failure to initiate inquiry or disciplinary action for 29 months raises serious concerns about accountability mechanisms.

Paragraph 7.1

- **Excess payment of security deposits to the contractor by tampering with the records- ₹ 1.33 lakh**

Municipal Council, Amlloh, overpaid ₹ 1.33 lakh as security deposits to a contractor. Records showed that figures in payment vouchers were tampered with, inflating amounts beyond the actual deductions from bills. The persistent failure to recover excess amounts over 24 months suggests either complicity or governance issues in MC Amlloh.

Paragraph 7.2