

Overview

This Report contains two Performance Audits *viz.* ‘Information Systems Audit of e-Procurement’ and ‘Quality of School Education in Punjab’; two Subject Specific Compliance Audits *viz.* ‘Basic Amenities for Inmates in Jails’ and ‘Functioning of Punjab Labour Welfare Board’; and six audit observations arising out of Compliance Audit of Departments involving financial implications of ₹ 209.47 crore.

Chapter-I: General

As against the total budget outlay of ₹ 2,69,206.42 crore, the application of resources was ₹ 2,86,714.73 crore during the year 2022-23. The total expenditure¹ of the State increased by 53.72 *per cent* from ₹ 79,177 crore to ₹ 1,21,710 crore during the period 2018-19 to 2022-23.

Revenue expenditure of the State increased by 50.74 *per cent* from ₹ 75,404 crore in 2018-19 to ₹ 1,13,661 crore in 2022-23 and capital expenditure increased by 176.41 *per cent* from ₹ 2,412 crore in 2018-19 to ₹ 6,667 crore in 2022-23. However, when compared to the previous year, revenue expenditure grew by 17.62 *per cent*, while capital expenditure declined by 16.76 *per cent*. Revenue expenditure ranged between 80 and 95 *per cent* of the total expenditure while capital expenditure ranged between three and eight *per cent* during 2018-2023 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.

During the period from 2018-19 to 2022-23, revenue expenditure increased at an annual average growth rate of 13 *per cent* whereas revenue receipts grew at an annual average rate of 11 *per cent*.

(Paragraph 1.2, Page 2)

As of June 2023, 17,844 Inspection Reports containing 64,482 observations (issued up to March 2023) involving money value of ₹ 79,727.63 crore, were outstanding, of which 11,518 IRs containing 33,852 observations involving money value of ₹ 22,016.72 crore pertained to the period prior to April 2018 i.e., more than five years old. Increasing pendency of audit observations merits urgent attention of the Government for addressing the issues raised by Audit.

(Paragraph 1.5, Page 4)

¹ Total of Revenue Expenditure, Capital Expenditure and Loans & Advances.

PERFORMANCE AUDIT

Chapter-II: Information Systems Audit of e-Procurement

The 'Information Systems Audit of e-Procurement' in Punjab covering five years' period from April 2018 to March 2023 was conducted between August 2023 and June 2024 to assess whether the e-Procurement system was fully implemented and was being utilised efficiently; whether the business rules were adequately mapped into the system; whether data in the system was complete, reliable and the integrity of data was maintained; and whether adequate controls were built up into the system.

The Information Systems Audit of Implementation of e-Procurement system in Public Works Department (Buildings & Roads) covering the period July 2010 to December 2016 was included in the Report of the Comptroller and Auditor General of India on Social, General and Economic Sectors (Non-Public Sector Undertakings) for the year ended 31 March 2017. In the current audit, it is noted that several shortcomings highlighted in the previous report still persisted, despite assurance of the management to the Public Accounts Committee. These included: lack of a service-level agreement with NIC; non-updating the tender status and proceedings of technical and financial committees on the portal; non-mapping of business rules; inconsistency in values of bill of quantity and tender summary report; gaps in system generated numbers; deficiencies with regard to use of Digital Signature Certificate; segregation of duties and user access; bidders using common email IDs and mobile numbers; Business Continuity Plan, Disaster Recovery plan and IT Security; and non-recording of digital signature stamp on documents uploaded by the Department and the bidders.

Audit noticed that lack of a service-level agreement with NIC for the development and maintenance of GePNIC resulted in unclear roles and responsibilities, causing delays in modifying the portal and addressing payment gateway issues. Further, the Directorate of Procurement Policy and Enforcement (DPPE) was not made functional as required by PTPP Act, hindering the effective use of the GePNIC system.

Audit reviewed the functionalities available in the system and noticed that there were serious system design issues in areas such as:

- Tender evaluation (both technical and financial), vendor negotiations and contract awards, which were still done manually, impairing the objective of reducing human intervention in the process.
- Due to the lack of integration with other portals maintaining records of blacklisted vendors, GePNIC had not implemented the functionality to

prevent such vendors (including those blacklisted by Departments other than the one issuing the tender) from participating in tenders.

Departmental users and bidders were not adequately trained or made aware of the e-Procurement system. Key business rules, such as minimum period for submission of bids, controls to prevent contract awards to single bidders, monitoring procurement timeframes, EMD exemptions, etc. were not fully incorporated into the system. There were no validation controls during user enrolment.

The absence of periodic reconciliation led to a ₹ 135.64 crore discrepancy between GePNIC transactions and the pooling bank account, posing financial risks. Non-ensuring sufficient liquidity of funds before creation of the fixed deposit from the pooling account, impacted refunds for 173 transactions worth ₹ 1.36 crore. As on 31 March 2023, earnest money deposits, tender fees and processing fees amounting to ₹ 54.95 crore remained unsettled, for tenders published during 2018-2023 of which 61 *per cent* of the tenders were published more than two years ago. GePNIC lacked a tracking system to monitor and follow up on failed transactions.

Audit noticed several other severe system design deficiencies, including issues with bid decryption failures and mismatches in BoQ formats, indicating that bidders could modify templates. There were also concerns about irregular access to Management Information System (MIS) reports, creation of multiple user identities without ensuring unique PAN, email ID, and mobile numbers and the ability for departmental users to decrypt bid documents on different dates. Furthermore, the system allowed user-defined templates, which prevented automatic population of BoQ comparative charts, leading to unnecessary risks from manual intervention.

The above deficiencies raise serious concern about confidentiality of data and integrity of e-procurement system.

Further, lack of validation in mapping of Digital Signature Certificate (DSC), non-availability of digital signature in all documents, missing trail of records during revocation of tenders etc. affected the security, integrity and reliability of the system. The lack of logs for failed transactions, which act as primary keys in critical tables, was a control deficiency which resulted in absence of a trail of accountability for users of the system. Non-repudiation features of the DSC were compromised due to a lack of controls restricting its use exclusively to the authorised holder. Besides, the system's inability to prevent username changes in user profiles created unnecessary risks of modifications to historical data.

Audit noticed instances of bid submissions originating from the Department's own IP address, which is indicative of the material risk of collusion between the Departmental personnel and the bidders. Further, in 0.41 lakh of 1.36 lakh

tenders that received valid bids, two to 74 bids were found to have been submitted from the same IP address for the same tender.

The Nodal Department did not have its own Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) and was fully dependent on NIC. It had neither identified nor documented its own key assets such as hardware, software, personnel, etc. nor it had any archival policy for retention of legacy data. Further, the absence of an internal audit module and a complaint monitoring system hindered effective management decisions and improvements.

Significant Recommendations

The State Government may ensure that:

- (i) a Memorandum of Understanding (MoU) and Service Level Agreement (SLA) with NIC is established that clearly defines the roles and responsibilities of all stakeholders, stage-wise timelines (with provisions for extensions if necessary), project costs and other essential clauses to ensure smooth development of the e-Procurement system;*
- (ii) DPPE is made functional and tasked with actively overseeing the implementation and utilisation of the GePNIC to ensure compliance and enhance operational efficiency;*
- (iii) tender stages are automatically updated on the portal after completion of each stage, besides implementing strong application controls within the system to enforce bidder eligibility criteria, ensuring that key business processes such as tender evaluation, negotiation and contract awards are fully automated, reducing the need for manual intervention;*
- (iv) SOP for blacklisting bidders is developed, and integrate with other systems/relevant portals to maintain and share updated records of blacklisted vendors;*
- (v) various stakeholders are adequately trained to utilise the portal fully, ensuring optimal use of the e-Procurement system;*
- (vi) business rules are enforced within GePNIC by mapping prescribed timelines, flagging delays at each stage, preventing single-bidder contract awards and ensuring that contracts are awarded within the bid validity period;*

- (vii) *a system for regular reconciliation between GePNIC and banking transactions is established, ensuring sufficient liquidity to avoid failed refund transactions;*
- (viii) *requisite controls for capturing item-specific EMD are implemented and exemptions granted, if any, are recorded accurately, besides prioritising settlement of pending fees and implementing controls to track failed transactions;*
- (ix) *standardised and flexible templates are introduced within the GePNIC platform to streamline the evaluation process, besides reducing manual intervention and improving the accuracy of BoQ comparative analysis;*
- (x) *profile name updates are restricted to prevent modification of historical data; and to prevent assigning the same role to multiple users within the same procuring entity;*
- (xi) *comprehensive Business Continuity and Disaster Recovery plans are established, for regular review and updates to reflect changes in technology, infrastructure, personnel, and business processes; and*
- (xii) *an internal audit module together with a complaint monitoring system is introduced to improve service quality and enable continuous system improvements.*

Chapter-III: Quality of School Education in Punjab

The Performance Audit, covering the period from 2018-19 to 2022-23, evaluated the effectiveness of school education in Punjab and the enforcement of the Right of Children to Free and Compulsory Education (RTE) Act, 2009. The audit focused on key areas such as quality education to students, pupil teacher ratio and human resources under RTE Act.

The planning process in the School Education Department was inadequate. During 2018-19 to 2022-23, no Government school prepared a School Development Plan in line with the provisions under RTE Act, Samagra Shiksha Framework and Punjab RTE Rules 2011.

Audit observed improvements in retention rates at certain educational levels. However, inconsistencies persisted at the elementary and secondary levels, where retention rates fluctuated between 81 *per cent* and 97 *per cent*, and 77 *per cent* and 90 *per cent* respectively during 2018-19 to 2022-23. Notably, there has been a significant decline at the higher secondary level, with retention rates decreasing from 106 *per cent* in 2018-19 to 66 *per cent* in 2022-23.

SCERT could not fulfil its mandate for curriculum development, age-appropriate syllabus design and learning material creation under the Punjab Curriculum Framework, 2013. As of March 2023, there was a shortage of academic staff in SCERT (72 per cent) and DIETs (88 per cent) as per organisational structure prescribed by MHRD, GOI. As regards non-academic staff, there was no shortage in SCERT, whereas DIETs faced shortage of over 61 per cent. Additionally, SCERT did not prepare an annual training calendar for in-service teachers, nor was a Training Management System developed or training records maintained.

Punjab RTE Rules, 2011 require identification of children needing special training to be provided using age-appropriate curriculum and materials. After the training, which may last from three months to three years, the child is placed in the age-appropriate class with continued support to aid integration. Audit observed that only 71 per cent of identified Out-of-School Children (16,114) received special training and only 74 per cent of them were brought into the mainstream. Moreover, no monitoring/tracking system was in place to ensure whether the mainstreamed children have completed their school education.

Government schools faced a severe staff shortage. Shortfall in Master cadre under different disciplines ranged up to 60 per cent while the Lecturer/PGT cadre had 52 per cent shortfall, with an overall shortage of 32 per cent in Classes 11 and 12. There were also shortages of Vocational Education Teachers in various trades viz. Private Secretary (73 per cent); Automotive (54 per cent); Construction (49 per cent); and Healthcare (22 per cent).

The pupil-teacher ratio (PTR) was severely impacted due to persistent shortfall and non-recruitment of teachers in Government schools despite vacancy. The number of primary schools with adverse PTR increased from 4.77 per cent in 2019-20 to 30.02 per cent in 2022-23. Further, PTR in respect of Special Educators for Children with Special Need ranged between 156:1 and 175:1 in the State, during the period 2018-2023, which was far above the PTR of 10:1 and 15:1, as per the RTE Act.

According to the RTE Act, there should be at least one classroom for every teacher and an office-cum-store-cum-Head teacher's room in a school. However, schools ranging between 23 per cent and 30 per cent during the period 2018-2023 had to accommodate more than one teacher in a class.

The monitoring system mandated to review and check the effective implementation of Continuous and Comprehensive Evaluation was not ensured.

Significant Recommendations

The State Government may ensure:

- (i) *preparation of comprehensive School Development Plan in line with the provisions under RTE Act and Samagra Shiksha Framework;*

- (ii) *deployment of adequate teaching and non-teaching staff in schools for delivery of quality education;*
- (iii) *pupil-teacher ratio as per RTE Act for quality education; and*
- (iv) *strengthening the monitoring of Continuous and Comprehensive Evaluation by ensuring that schools submit students' answer sheets for DIET review through CCE Cell.*

COMPLIANCE AUDIT

Chapter-IV: Basic Amenities for Inmates in Jails

Audit of Jails Department was included in the Comptroller and Auditor General of India's (CAG) Report on Social, General and Economic Sectors (Non-Public Sector Undertakings) for the year ended 31 March 2012, which was discussed in the Public Accounts Committee (PAC) in July 2015. In the current audit, it was noted that some shortcomings highlighted in the previous report still persisted, despite assurance of the management to the PAC. These included: (i) overcrowding in jails; and (ii) health infrastructure and services.

The Jail Administration took six years to adopt framework outlined in the Model Prison Manual, 2016 and notify the Punjab Prison Rules, 2022. Despite recommendations of the Public Accounts Committee, overcrowding in jails persisted. Over 27 per cent physical *peshies* were missed mainly due to non-availability of police escorts leading to extended detention of under trials. Delays in construction of jails and repair of barracks worsened overcrowding and reduced the availability of per capita facilities. Toilet facilities were inadequate in 74 per cent of male and 63 per cent of female barracks leading to unhygienic conditions. Health care facilities also exhibited 72 per cent shortage of hospital beds and 60 per cent shortage of medical staff. This necessitated treatment of 45,497 inmates in Civil Hospitals outside the jail thereby enabling 22 prisoners to escape. While the essential supplements were inconsistently provided, drinking water also did not undergo the prescribed testing in 39 per cent of the test-checked jails. Female inmates were deprived of sanitary pads, essential for their menstrual health and dignity. There was persistent shortage of bedding and clothing for convicts, nine jails lacked mechanised laundry machines, and none had boilers for washing clothes.

Chapter-V: Functioning of Punjab Labour Welfare Board

A significant number of workers remained unaware of the benefits available under the Welfare Schemes due to the Punjab Labour Welfare Board's (Board) inaction in developing audio and video awareness materials, despite adequate budgetary provisions for the same. The Board lacked a mechanism to bring the eligible establishments within its purview and did not have system to issue unique identification numbers to the registered workers. The Board had

not established a mechanism to ensure regular contributions to the Fund by defaulting establishments, nor had it implemented deterrent measures to prevent further defaults. This inaction contributed to an increase in the number of defaulting establishments. Frequent shortfalls in the Board meetings highlighted a lack of commitment and delayed critical decisions on contribution rates, service bye-laws, and Board rules/regulations. The shortage of Labour Welfare Inspectors forced the Board to rely on Labour Department Inspectors, whose inspections were inadequate and ineffective. Insufficient staff delayed the processing of welfare benefit applications and preparing annual accounts. Additionally, the Board was unaware of actual amount of unpaid accumulations, lacked worker-wise records, and did not transfer lapsed unpaid accumulations to the Welfare Fund. Processing of applications exhibited delays, deficiencies, and inconsistencies with significant issues in the digital transition to e-Labour portal, while ambiguous regulations led to denial of benefit to some and exploitation by others. The annual accounts of the Board for the years 2017-18 to 2022-23 were not submitted for audit. Further, the Board had stopped maintaining cash book after February 2019 and had also not prepared the Bank Reconciliation Statement. These lapses raise serious concerns regarding financial accountability and significantly increase the risk of mismanagement and potential fraudulent activities within the Board.

Chapter-VI: Compliance Audit Observations (Departments)

Lapse of Punjab Agricultural University to timely review its contract demand of electricity supply together with category of electricity connection in line with the tariff circular and Electricity Supply Instructions Manual resulted in avoidable extra payment of fixed charges amounting to ₹ 1.21 crore during the period from January 2018 to March 2023.

(Paragraph 6.1, Page 189)

Lapse of Department of Information and Public Relations to provide adequate funds timely to Public Works Department for construction of Press Club building at Amritsar, led to delay of over two years in completion of work. Pursuant to the arbitrator's award in favour of the contractor, the State Government became liable for an avoidable payment of ₹ 1.43 crore, of which ₹ 0.88 crore had already been paid to the contractor.

(Paragraph 6.2, Page 192)

The Department of Water Resources did not recover the due amount of water cess (₹ 207.78 crore) from the occupiers of land who used canal water for irrigation during the period 2014-15 to 2022-23, as per recommendations of the Finance Commissions and provisions under the Northern India Canal and Drainage (Punjab Amendment) Act, 2014. Resultantly, the expenditure of

₹ 184.04 crore on repair, maintenance and modernisation of distributaries, minors and sub-minors had to be met from the State budget.

(Paragraph 6.4, Page 196)

Delay of 38-80 months in payment of enhanced compensation to the landowners by the Water Resources Department in compliance to decision of the Hon'ble High Court inflicted avoidable burden on the State exchequer on account of interest amounting to ₹ 5.67 crore.

(Paragraph 6.5, Page 198)