

Chapter-III

Long Draft Paras of PRIs

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

Funds worth ₹ 239.03 lakh were provided to the PRIs for the construction of community assets, including Community Centres, Panchayat Ghar, Dharmshala, Public Health Centre, Playground/Stadium, Office buildings etc. However, these works were lying incomplete after incurring an expenditure of ₹ 140.86 lakh and lapse of more than three years from the date of release of grants. As a result, the intended purpose of creating these assets for community welfare or benefit was not achieved. Six community assets completed at a cost of ₹ 7.89 crore were lying unused, rendering the expenditure unfruitful. Three community assets, costing ₹ 78.80 lakh, were underutilised due to inadequate maintenance.

3.1.1 Introduction

As per Section 30 of the Punjab Panchayati Raj Act, 1994, the community assets include sanitation and drains, wells, burial and cremation grounds, ponds, public gardens, playgrounds, buildings of public utility, the laying out of new roads and pathways, etc. The function of maintenance of community assets was transferred to PRIs in the year 2003.

With a view to assess the construction, repair and maintenance of community assets, the Compliance Audit of selected 198 PRIs (ZP: 8, PS: 38 and GP: 152) was conducted during 2023-24. The Joint Physical Verification (JPV) of the selected community assets was also conducted. The audit findings have been discussed in the succeeding paragraphs:

3.1.2 Issues relating to the construction, utilisation and maintenance of community assets

Test check of records, including Cash Book, sanctions of works and related records of GPs, revealed irregularities relating to construction, utilisation and maintenance of community assets as detailed in succeeding paragraphs:

3.1.2.1 Unfruitful expenditure due to non-completion of community assets

The construction of various community assets, such as Community Centres, Panchayat Ghar, Dharmshala, Public Health Centre, playground/stadium, Office buildings, etc., in the rural areas in Punjab is carried out by the PRIs from the funds received on account of grants from 14th/15th Central Finance Commission, Discretionary Grants, Punjab Nirman Program (PNP) grants, etc. Based on a test check of records, Audit observed that the PRIs received funds worth ₹ 230.03 lakh for the construction of 11 community assets. However,

despite lapse of more than three years from the date of release of funds/grants, the work was still not completed (till the date of audit) as discussed in the succeeding paragraphs:

(i) Construction of Community Centre at GP, Mullanpur

(a) Discretionary grant of ₹ 40.00 lakh was released (June 2021) to DDPO Ludhiana for the construction of Community Centre at GP, Mullanpur, with scheduled utilisation within one year i.e. the work to be completed by June 2022.

Audit observed that the GP started the work in November 2021 and incurred an expenditure of ₹ 19.07 lakh on purchase of material and labour upto May 2022. Joint Physical verification (JPV) of the site revealed (January 2024) that the construction was done up to plinth level only

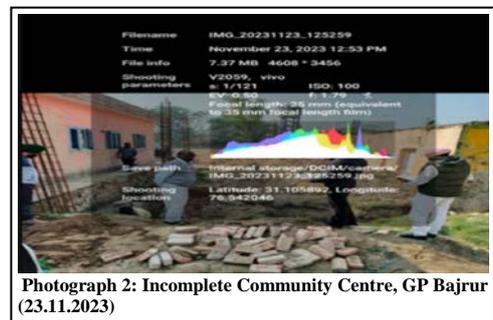


despite lapse of one and a half years beyond the scheduled date of completion (June 2022) and the availability of funds. No reasons for the delay in construction work were found in the records. Delays in construction affected the timely availability of the community centre to the public, highlighting the lack of periodic monitoring.

The Executive Officer, Panchayat Samiti (EOPS), without indicating any reasons for the delays in construction, stated (January 2024) to complete the work at the earliest. Response to audit query (October 2025) seeking the updated position was awaited.

(b) Construction of Community Centre at GP, Bajrur

GP Bajrur received (December 2021) grant of ₹ eight lakh under the Punjab Nirman Programme for the construction of a Community Centre. Subsequently, the GP started the construction in May 2022 and incurred an expenditure of ₹ 5.65 lakh on material and labour. Joint Physical



Verification (November 2023) indicated that the work was not completed despite the fact that PNP funds were required to be utilised within six months, i.e. by June 2022.

EOPS attributed (November 2023) the non-completion of work to the frequent interruptions by the villagers and assured to complete the same in one month.

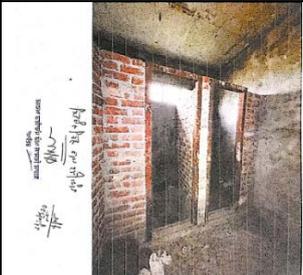
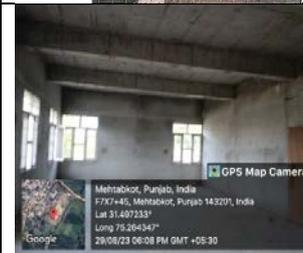
No documents indicating the interruptions by the villagers were provided. Further, despite assurances that the work would be completed within one month,

responses to audit requests/queries (December 2023/February 2025 & October 2025) seeking an update on the status were still awaited.

(c) Panchayat Ghar construction in GPs Navi Nangali, Bhinder and Kot Mehtab

The construction of Panchayat Ghars in GPs Navi Nangali, Bhinder and Kot Mehtab under the jurisdiction of EOPS Rayya, Amritsar were allotted to Panchayati Raj Division, Amritsar, during July 2020 to April 2021, with scheduled completion within three months. Audit, however, observed during the JPV (August 2023) that despite a lapse of more than 27 months (till August 2023) and after expenditure of ₹ 58.29 lakh during 2020-21 to 2022-23, the work was still not completed as detailed in **Table 3.1**.

Table 3.1: Details of incomplete Panchayat Ghars

Name of GP	Amount of grant	Scheduled date of start of work	Scheduled date of completion	Expenditure incurred	Photograph 3, 4 & 5: Incomplete Panchayat Ghar
GP Navi Nangali	₹ 20 lakh from Punjab Nirman and ₹ 5 lakh from MGNREGS dated 21.05.2020	01.07.2020	30.07.2020	₹ 18.99 lakh	
GP Kot Mehtab	₹ 20 lakh dated 23.03.2021 Under RGSA Scheme	30.04.2021	30.07.2021	₹ 19.54 lakh	
GP Bhinder	₹ 20 lakh dated 23.03.2021 Under RGSA Scheme	30.04.2021	30.07.2021	₹ 19.76 lakh	

Source: Departmental data

Assets were lying incomplete due to non-installation of electricity, water and sewerage connections, flooring, etc.

EOPS attributed (August 2023) the delays in construction to the non-availability of funds and assured to complete the work shortly.

The contention of the EOPS regarding non-availability of funds was not acceptable, as GP Navi Nangali spent only ₹ 18.99 lakh out of ₹ 25.05 lakh, leaving a balance of ₹ 6.06 lakh. The EOPS did not provide the updated position of the work till date (October 2025).

(ii) Construction of Dharmshala in GP Dolchi Ki

The GP Dolchi Ki received (December 2021) Discretionary Grants of ₹ five lakh for the construction of an SC Dharmshala, with scheduled utilisation of funds within six months, i.e., by June 2022. The Utilisation Certificate submitted to EOPS indicated that the entire grant of ₹ five lakh was utilised upto June 2022.

During the JPV (February 2024), it was observed that the Dharmshala remained incomplete and unused, despite a lapse of more than 19 months since June 2022. The continuing delays in its completion resulted in the denial of its envisaged benefits to the community.



EOPS stated (February 2024) that the construction of Dharmshala would be completed on receipt of additional funds. The reply was not acceptable as no records showing any efforts made or proposal submitted to higher authorities for additional funds were provided to the audit. Further, despite the audit query (October 2025), the updated position of the work had not been received.

(iii) Construction of Public Health Centre in GP Attari, Ferozepur

GP Attari, Ferozepur received ₹ 40 lakh (September 2021) under the Special Package for Border Area Scheme for the construction of a Public Health Centre. The work was to be completed within three months after obtaining administrative approval from the ZP office and technical approval from the Superintending Engineer, Panchayati Raj.



The administrative approval was received on 06 October 2021, therefore, the work was required to be completed by 06 January 2022. Based on the review of records and JPV (February 2024), the Audit observed that out of ₹ 40 lakh, the GP spent only ₹ 29.76 lakh during October 2021 to March 2022 and the work remained incomplete even after the expiry of more than two years.

Without providing any reasons for the delays in construction of the Public Health Centre, EOPS stated (February 2024) that efforts would be made to complete the work at the earliest. Further, despite the audit query (October 2025), the updated position of the work had not been received.

(iv) Construction of office buildings EOPS, Mehatpur (Jalandhar)

Out of the 15th Finance Commission grants, ₹ 10.53 lakh was earmarked (February 2021) for the construction of office building of EOPS, Mehatpur

(Jalandhar). The work commenced in November 2021, however, after incurring an expenditure of ₹ 7.87 lakh, the department came to know that the land belonged to the Waqf Board, following which the work was stopped in January 2022. Review of records and JPV (September 2023) revealed that after stoppage of work, the work relating to plastering of walls, flooring, gates, electricity and interior was still pending as indicated below:



Audit further observed that the Panchayat Samiti passed a resolution (February 2023) to obtain the land (by transfer) from Waqf Board and to resume construction thereafter. Consequently, the EOPS requested (March 2023) the Waqf Board to lease the land to the GP for 30 years. However, no response had been received from the Waqf Board.

EOPS stated (September 2023) that the remaining work would be completed shortly. The reply was not acceptable as the title of land, including its encumbrance-free availability, was required to be ensured before the commencement of the work. Further, despite assurances that the work would be completed shortly, the response to audit queries (October 2025) seeking the updated position was still awaited.

(v) Delays in construction of stadium in GP Chaklan

GP Chaklan (Block Morinda) received (October 2021) a grant of ₹ 50.00 lakh for the construction of a stadium, to be utilised within six months (upto April 2022). Joint Physical Verification (September 2023) revealed that the construction commenced in January 2022 and material valued at ₹ 6.60 lakh was procured. However, the work was discontinued in June 2022 after making only minimal progress. By that time, an expenditure of ₹ 8.14 lakh (material: ₹ 6.60 lakh and labour: ₹ 1.54 lakh) had been incurred, and the procured material was lying unused. The stoppage of work and non-utilisation of the grant indicated inadequate planning and ineffective execution of the project.



The Panchayat Secretary attributed (September 2023) the stoppage of work to the monsoon, assuring to complete the work at the earliest.

The reply was not acceptable as the monsoon season (in Punjab) generally ends by August-September every year and despite a lapse of more than 14 months from June 2022 till the time of audit in September 2023, the work was not restarted. Further, despite the assurance that the work would be completed at the earliest, the updated position of the work had not been provided in response to the Final Inspection Report (October 2023) and audit query (October 2025).

(vi) Delays in construction of Dharamshala in GP Dulchi Majra

GP Dulchi Majra received (October 2021) funds of ₹ five lakh under the Punjab Nirman Programme for the construction of Dharamshala, with scheduled utilisation of the grant within six months, i.e., upto April 2022.

Based on the review of records and JPV (August 2023), the audit observed that the GP incurred expenditure of ₹ 4.62 lakh till December 2021, i.e., about 92 per cent of the funds were utilised. However, the work was still incomplete, and the material was lying unutilised.



Photograph 10: Incomplete Dharamshala, GP Dulchi Majra (14.08.2023)

The Panchayat Secretary stated (August 2023) that the iron roof had been completed and the flooring work could not be completed due to the non-availability of labour and the monsoon season.

The reply was not acceptable as the monsoon season generally ends by August-September every year, and despite a lapse of more than 20 months from December 2021 till the time of audit in August 2023, the work was not restarted.

The updated position of the work had not been provided in response to the final Inspection Report (September 2023) and audit query (October 2025).

(vii) Delay in the construction of SC Dharamshala

GP Amlala (Block Dera Bassi) received (December 2021) funds of ₹ 6.50 lakh under the Punjab Nirman Programme for the construction of SC Dharamshala, with scheduled utilisation of the grant within six months, i.e., upto June 2022.

Review of records and JPV (June 2023) revealed that the GP had incurred expenditure of ₹ 2.46 lakh, but the work was not completed even after a lapse of 12 months.



Photograph 11: Incomplete Dharamshala, GP Amlala (09.06.2023)

The Block Development and Panchayat Officer (BDPO) assured (June 2023) to complete the Dharmshala at the earliest. Despite the above assurance and the audit query (October 2025), the updated position regarding the completion of the Dharamshala had not been provided.

3.1.2.2 Non-start of works relating to construction and upgradation of Community Assets despite availability of funds

Two GPs, namely Kainour and Majri received (October and December 2021) the grants of ₹ nine lakh for the upgradation of Dharamshala and the construction of a public toilet under the Punjab Nirman Programme. Audit, however, observed that despite the provisions in the guidelines of PNP for utilisation of the grants within six months from the date of receipt of the grants, the work for these community assets had not started even after a lapse of more than three years (till February 2024), as tabulated below:

Table 3.2: Details of works not started

							(₹ in lakh)
Block (GP)	Work	Funds received	Date of receipt of grant	Date of start of construction work	Scheduled date of completion	Awarded cost of work	Expenditure incurred
Morinda (Kainour)	Upgradation of Prajapati Dharmshala	6.00	16.10.2021	Not started	16.04.2022	6.00	0
Majri (GP Majri)	Public Toilet	3.00	15.12.2021	Not started	15.06.2022	3.00	0
Total		9.00					

Source: Departmental data

On being pointed out, the PRIs assured (June and September 2023) that the work would be executed shortly, without providing any specific reasons or contributing factors for the delays in commencing work.

Despite the above assurance and lapse of more than two years from September 2023 and audit query (October 2025) seeking the updated position, no response had been provided.

3.1.2.3 Non-utilisation of Completed Community assets

As per information submitted by the PRIs, the construction of six community assets, including Reverse Osmosis (RO) Systems and Multipurpose Community Halls, was completed during April 2021 to June 2022 at a cost of ₹ 7.89 crore. Audit, however, observed that these assets had not been put to use, as discussed in the succeeding paragraphs:

(i) Non-functioning Reverse Osmosis Systems

GP Apra and GP Virk (Block Phillaur) spent ₹ 31 lakh (₹ 15.50 lakh in GP Apra and ₹ 15.50 lakh in GP Virk) out of 14th Finance Commission funds for the installation (April 2021) of RO systems for the supply of purified water. Joint physical verification (June 2023) of the sites revealed that these RO systems

were not operational, even after more than three years since their installation. The reasons for the non-functional of RO systems were not available in the records.



Photograph 12: Non functional RO system, GP Apra (28.06.2023)



Photograph 13: Non functional RO system, GP Virk (28.06.2023)

Similarly, GP Abbuwal under Block Sudhar, Ludhiana, purchased a water cooler with two RO systems valued at ₹ 0.99 lakh in November 2021.

During physical verification (January 2024), it was observed that one of the RO systems was not attached to the water cooler installed at the primary school in the GP, resulting in non-purified water, whereas the other RO system installed in a Dharmshala was found to be non-operational.



Photograph 14: Non functional RO System, GP Abbuwal (25.01.2024)

The RO systems, installed at a cost of ₹ 31.99 lakh, were not functioning, affecting the availability of potable water to the local community.

EOPS Sudhar stated (January 2024) that compliance would be made in future, whereas EOPS Phillaur stated (June 2023) that efforts would be made to make the RO system functional.

The reply was not acceptable as the GPs were required to ensure upkeep and maintenance of the ROs for their proper functioning. Further, despite the above assurances and audit query (July 2023/October 2025), the updated position regarding utilisation of these had not been provided so far.

(ii) Other community assets

As part of the National Rurban Mission (NRuM), the Panchayati Raj Division, Ludhiana and Provincial Division, Ludhiana, constructed some community assets, namely 'Skill Development Centre', 'Agro Processing Unit' and Multipurpose Community Home, respectively and handed over these assets to GP, Dhandra, Block Ludhiana-I, as detailed in **Table 3.3:**

Table 3.3: Detail of other community assets

(₹ in lakh)

Name of Asset	Date of Handing Over	Cost of construction	Last auction conducted	Rates offered (per month)
Skill Development Centre	May 2022	141.00	June 2023	1.80
Agro Processing Unit	May 2022	36.00	June 2023	0.51
Multipurpose Community Home	June 2022	580.00	June 2023	5.55

Source: Departmental data

Audit, however, observed that GP Dhandra conducted the auction in June 2023, and after that, no auction was conducted till the time of audit in January 2024. As a result, the assets created after the substantial expenditure of ₹ 7.57 crore could not be rented out and were lying idle, as indicated below:



Photograph 15: Unused Multipurpose Community House, (18.01.2024)



Photograph 16: Unused Skill Development Centre, (18.01.2024)



Photograph 17: Unused Agro Processing Units, (18.01.2024)

Despite the fact that auctioning of ‘Skill Development Centre’, ‘Agro Processing Unit’ and ‘Multipurpose Community Home’ could make them revenue generating assets, the auction was not conducted (till January 2024) by GP, Dhandra, resulting in recurring revenue loss and deterioration of the created community assets with the passage of time.

The EOPS office, without providing the reasons for not renting out, stated (January 2024) that these properties would soon be put up for auction. However, despite the lapse of more than 20 months and the audit request/query (February 2024/October 2025), the updated position of renting out these properties was still awaited.

3.1.2.4 Maintenance of community assets

Apart from the construction of community assets, the maintenance thereof is also an important aspect devolved to the PRIs. During JPV, Audit observed that various community assets, including ponds, Panchayat Ghar, etc., created during July 2021 and February 2023 at an expenditure of ₹ 78.80 lakh, were not put to optimal use due to lack of or improper maintenance as discussed below:

(i) Works relating to rainwater harvesting and remodelling & renovation of ponds to treat the wastewater in GPs Punnawal and Bhalwan, in block Dhuri, were completed during July 2021 and February 2022 at an expenditure of ₹ 75.27 lakh (GP Bhalwan: ₹ 57.82 lakh and GP Punnawal: ₹ 17.45 lakh).

It was observed during JPV (March 2023) that screening chamber of pond choked due to silt of waste and the cleaning equipment was also not working, resulting in discharge of untreated wastewater into the drain.



Photograph 18 & 19: Choked screening chamber and flowing untreated water in GP Bhalwan and GP Punnawal (15.03.2023)

The EOPS stated (March 2023) that instructions would be issued to the GPs for solution of the blockade. Response to the audit query (October 2025) seeking the latest position in this regard was awaited.

Thus, non-maintenance of community assets created at a cost of ₹ 75.27 lakh affected their optimal utilisation for the intended purpose of wastewater treatment before discharging into the drain.

(ii) GP Khasi Kalan under EOPS Ludhiana-2 received (December 2021) a grant of ₹ 10.00 lakh under the scheme PM-10 “State Level Initiative (Punjab Nirman Program) for pond fencing and netting. Records showed that ₹ 3.53 lakh was spent



Photograph 20: Pond without fencing, GP Khasi Kalan (21.02.2024)

during April 2022 and November 2022 on the procurement of fencing material (₹ 3.29 lakh) and labour charges (₹ 0.24 lakh). However, JPV (February 2024) revealed that the pond remained unfenced and was in a shabby condition, despite the expenditure incurred.

The EOPS acknowledged the issue and stated (February 2024) that the work could not be completed due to mud in the pond and would be completed at the earliest.

Despite the assurance to complete the work at the earliest, the response to an audit request/query (March 2024/October 2025) seeking the current status was still awaited. Moreover, the reply was not acceptable, as the sanctioned work pertained to fencing and netting, which were external activities and not dependent on the removal of mud from inside the pond. Procurement of fencing material had already been undertaken, yet no progress in installing the fencing was evident during JPV. Therefore, the non-completion of the work could not be attributed to the presence of mud in the pond. The delay reflected inadequate supervision and ineffective utilisation of the grant.

3.1.3 Non-conducting of quarterly inspection of GPs by SEPO/PO

Rule 42(1) of the Punjab Panchayati Raj (Gram Panchayat) Rules, 2012 provides that the Social Education and Panchayat Officer (SEPO) or the Panchayat Officer (PO) shall inspect the GPs once every three months. The inspection report will be submitted to the Panchayat Samiti, the Zila Parishad, and the District Development Panchayat Officer in Form-XXIX, which, *inter alia*, contains reporting heads covering finance, movable and immovable properties, grants, taxes and works, etc.

Audit observed that the SEPO/PO posted at the Panchayat Samiti level did not carry out the prescribed inspection in any of the test-checked GPs, highlighting non-compliance of the above-mentioned rule.

31 EOPS replied (between June 2023 and February 2024) that compliance would be made, whereas 7 EOPSs did not furnish any reply.

Failure to conduct inspections of the GPs resulted in a lack of supervision, which could have helped the PRIs in identifying the irregularities, such as non-preparation of budgets and non-maintenance of asset/works registers as pointed out in Para 2.8 of Chapter II for their redressal.

3.1.4 Conclusion

Audit noticed issues in the construction, utilisation, and maintenance of community assets. 11 community assets work, intended to create vital community infrastructure, remained incomplete despite incurring of ₹ 140.86 lakh (out of ₹ 230.03 lakh) and over three years since the release of grants, thus defeated their intended purpose. Additionally, six completed community assets, costing ₹ 7.89 crore, remained unused, leading to unfruitful expenditure and potential deterioration. Further, three community assets created between July 2021 and February 2023, at a cost of ₹ 78.80 lakh, were not being optimally used due to inadequate maintenance, resulting in their underutilisation. Audit also noticed instances of non-conducting the prescribed inspection of Gram Panchayats by the responsible person.

3.1.5 Recommendations

Completion of unfinished works: The PRIs should review the incomplete works relating to construction of community assets and take appropriate measures including allocation of additional financial resources for their completion for the intended community benefits.

Utilisation of completed assets: The PRIs should also ensure utilisation of the constructed or completed community assets by keeping them in usable condition through periodic maintenance.

Following the mandatory obligations: PRIs should ensure to prepare the budget of community assets and conducting the prescribed inspections.

The matter was reported to the Department (August 2024); their reply was awaited (October 2025).

3.2 LDP on Land Management in Panchayati Raj Institutions

Audit observed shortfalls in the maintenance of prescribed land records in PRIs and in leasing out auctionable land at lower rates without obtaining the prescribed approvals, resulting in a loss of revenue. Audit observed instances of non-deposit or short deposit of lease money amounting to ₹ 6.31 lakh in two Gram Panchayats. Further, 18,123 acres of panchayat land were under unauthorised occupation in the State of Punjab, and there was irregular utilisation of ₹ 63.33 lakh received on account of the sale of panchayat land, as well as outstanding rent for shops amounting to ₹ 9.64 crore. Instances of non-availability of rent agreements, their periodic review, etc., were also observed.

3.2.1 Introduction

Panchayati Raj Institutions in Punjab hold significant tracts of land, including 7.21 lakh acres of Shamlat¹ land, across rural areas, which serve as sources for local development and revenue generation, enhancing the financial autonomy and developmental capacity of PRIs for community welfare. Land management includes the optimal utilisation of vacant land held by the PRIs. However, at times, these assets remain underutilised, encroached upon, or poorly documented, leading to lost opportunities and governance challenges.

Section 5 of the Punjab Village Common Lands (Regulation) Act, 1961 stipulates that all land vested in a Panchayat by virtue of the provision of this Act shall be utilised or disposed of by the Panchayat for the benefit of the inhabitants of the concerned village. Land is a vital resource for the devolution and implementation of 29 functions enumerated in the Eleventh Schedule for PRIs. In Punjab, it is included under the devolved function ‘Maintenance of Community Assets’.

3.2.2 Audit findings

The aspect of land management in PRIs was test-checked during the compliance audit of 176 selected PRIs (ZP: 6, PS: 34 and GP: 136) during 2023-24 to assess the level of monitoring, effective utilisation and protection of land. The audit findings regarding land management are discussed in the following paragraphs.

3.2.2.1 Shortfalls in maintenance of prescribed land records

As per Rule 8 of Punjab Panchayati Raj (Gram Panchayat) Rules 2012, the Gram Panchayat shall, *inter alia*, maintain the records of Shamlat land and other Gram Panchayat land in the prescribed forms Form XXIV and Form XXV, including jamabandi, area of property, ID property, description of property, etc.

¹ As per Section 2 (g) of Punjab Village Common Lands (Regulation) Act, 1961, ‘Shamlat land’ includes land described in the revenue records as Shamlat land excluding abadi land. It includes land described in the revenue records as Shamlat Tarafs, Pattis, Pannas and Tholas as well as lands used or reserved for benefit of the village, community including streets, lanes, playgrounds, school, wells or ponds within abadi deh, those described as Banjar Qadim and used for common purposes.

Further, under Rule 42(1), these records are to be inspected quarterly by the Social Education and Panchayat Officer (SEPO) or the Panchayat Officer (PO). As per Manual 1 of the Department of Rural Development and Panchayats (DRDP), the DRDP is assigned the duty to monitor the Shamlat Land through its Land Development Branch.

Based on the test-check of records related to land management by the GPs, audit observed that 121 GPs {*Appendix 3.1(A)*} had not maintained land records in respect of Shamlat land and other gram panchayat land in the prescribed format Form XXIV and Form XXV. As a result, the audit could not verify the authenticity of land-related data in these GPs. The remaining 15 GPs {*Appendix 3.1(B)*} did not produce the records.

In this regard, it is important to mention that the specified authorities (Social Education and Panchayat Officer/Panchayat Officers) had not conducted the prescribed inspections as required under Rule 42 of the said rules. This highlighted shortfalls in the monitoring mechanism, affecting the maintenance of land records at the GP level, among other things.

In reply, 107 GPs attributed (March 2024) the non-maintenance of land records to a shortage of staff, whereas 10 GPs assured to maintain the records and the remaining GPs did not furnish any reply/records or stated that records are being maintained.

However, despite a lapse of more than 18 months since March 2024 and the follow-up query (October 2025), the updated position in this regard was awaited.

Non-maintenance of the prescribed land records and shortfalls in supervision or monitoring thereof increase the risk of encroachments and loss of possession or ownership of the land, thereby affecting revenue generation from the land.

3.2.2.2 Leasing of Land

Section 86 of the Punjab Panchayati Raj Act 1994 provides that every Gram Panchayat shall constitute a Gram Panchayat Fund and there shall be placed to the credit thereof, income derived from common lands vested in the Gram Panchayat under any law for the time being in force, besides other income. Income from land mainly consists of money received from leasing land.

Position of auctionable land and revenue therefrom during 2021-22 and 2022-23 in the State of Punjab is tabulated below:

Table 3.4: Details of auctioned land and revenue earned

Year	Total land for auction (in acres)	Auctioned land (in acres)	Revenue earned (in crore)
2021-22	1,68,576	1,35,979	382.80
2022-23	1,68,576	1,39,549	409.37

Source: Departmental data

In this regard, review of records revealed the following:

(i) Irregular leasing out of the land at reduced rates

Rule 6 (7-b) of the Punjab Village Common Lands (Regulation) Rules, 1964 stipulates that if the highest bid received in the auction for Shamlat land is lower than that of the previous year, the concerned GP is required to obtain the approval of the Panchayat Samiti. Further, the Department of Rural Development and Panchayats issued instructions (March 2021 and March 2022), prescribing *per cent* increase in the rates of lease money (auction money) for the year 2021- 22 and 2022- 23, respectively, as detailed in **Table 3.5**.

Table 3.5: Details of rate increase for leasing out land

Rate per acre in previous year	Minimum increase in rates during current year
More than ₹ 35,000/-	5 per cent
₹ 30000/- to ₹ 35,000/-	7.5 per cent
₹ 20000/- to ₹ 30,000/-	15 per cent
Upto ₹ 20,000/-	20 per cent

Source: Departmental data

Audit observed that 12 GPs (out of 121 GPs) leased out 502 acres of land during 2022- 23, at lower rates ranging from 2.48 *per cent* to 45.67 *per cent* than the previous year 2021- 22, resulting in a revenue shortfall of ₹ 29.22 lakh (**Appendix 3.2**). However, the records reviewed in the audit did not indicate that the prescribed approval was obtained for auctioning the land at reduced rates. This highlights that the aforementioned land lease was irregular to that extent.

On being pointed out, the EOPSSs stated (April 2023 to February 2024) that permission from the competent authority would be obtained in future and efforts to increase the revenue/income from land would be made.

Despite the above assurance and the audit query in October 2025, the updated position, including the corrective measures taken to ensure permission of the prescribed authority, had not been provided.

(ii) Short deposit of lease money in Gram Panchayat

As per Rules 38 & 39 of the Punjab Panchayati Raj (Gram Panchayat) Rules, 2012, the Panchayat Secretary shall be responsible for timely receipt and collection of revenue. It is his responsibility to ensure that dues are correctly and regularly assessed, collected and promptly credited to the fund. Additionally, the departmental instructions (March 2020/2021/2022) require that auction proceeds be deposited immediately in the account of GPs.

Audit observed that out of ₹ 50.78 lakh received from the auctioning of land in two GPs, only ₹ 44.47 lakh was deposited into the respective bank accounts as detailed in **Table 3.6**.

Table 3.6: Auctioned money received and deposited*(Amount in ₹)*

GP	EOPS	Period	Amount collected as per cash book	Amount deposited as per bank account	Short-deposit
Kaler Kalan	Dhariwal	2019-20 to 2022-23	21,70,000	17,93,000	3,77,000
Kandhwala Hazar Kha	Arniwala Sheikh Subhan	2018-19 to 2021-22	29,08,000	26,53,900	2,54,100
Total			50,78,000	44,46,900	6,31,100

Source: Gram Panchayats Records

Instances of not depositing the lease money or shortfalls therein highlighted deficiencies in the internal control and monitoring mechanisms of the PRIs. Reasons for non-depositing the same were sought from the entity, however, no reasoning was given in this regard.

On being pointed out, the EOPS Dhariwal stated (August 2023) that the observations had been noted for compliance and necessary action would be taken as per rules. The GP Kandhwala Hazar Kha stated (January 2024) that the matter would be taken up with former sarpanch and panchayat secretaries to recover the auction money and efforts would be made to recover and deposit the pending money at the earliest.

Despite the above assurances, the latest position of recoveries/compliance had not been furnished till date despite an audit query (October 2025) in this regard.

(iii) Unauthorised occupation of Panchayat land

Section 5(2) of the Punjab Public Premises and Land (Eviction and Rent Recovery) Act, 1973 provides that if an occupant fails to comply with the eviction order within thirty days of its publication, the Collector may evict the person and take possession of the public premises using necessary force.

As of May 2023, 18,123 acres of land belonging to various GPs across the State were under unauthorised occupation. The status of unauthorised occupation in selected PRIs (*Appendix 3.3*) is presented below:

Table 3.7: Status of pendency of cases of unauthorised occupation of land

No. of cases		Pending in Various Courts		Pending with Divisional Deputy Director		Pending with DDPO		No litigation	
No. of cases	Land A-K-M ²	No. of cases	Land A-K-M	No. of cases	Land A-K-M	No. of cases	Land A-K-M	No. of cases	Land A-K-M
165	1,715-6-2	80	864-2-19	9	139-4-10	45	388-6-0	31	322-8-13

Source: Departmental data

It is evident from the above that:

- A total of 1,715 Acre, 06 Kanal and 02 Marla land was under unauthorised occupation in the selected blocks, which was 9.47 per cent of the total unauthorised land in the State.

² A- Acre, K-Kanal, M-Marla

- 864 Acres, 02 Kanal and 19 Marla (*Appendix 3.3 A*) unauthorised occupied land was sub-judice in various courts.
- 139 Acres, 04 Kanal and 10 Marla (*Appendix 3.3 B*) unauthorised occupied land was pending with the Divisional Deputy Director. On further analysis, audit found that the land of 9 GPs was under unauthorised occupation for the years from 2018 to 2022.
- 388 Acres, 06 Kanal (*Appendix 3.3 C*) unauthorised occupied land was pending with the DDPO. On further analysis, the audit found that the land of 45 GPs was under unauthorised occupation for years, ranging from 1996 to 2023.
- In 31 cases covering 323 Acres and 13 Marla (*Appendix 3.3 D*), the land was, however, not under litigation, but no evidence of efforts to initiate eviction proceedings was found on record.

On being pointed out, the PRIs stated (April 2023 to February 2024) that efforts are being made to evict unauthorised occupants.

Despite the above assurances, the latest position of recoveries/compliance had not been furnished till date despite an audit query (October 2025) in this regard.

With a substantial amount of land meant for community welfare continuing to be under unauthorised occupation, there was a need for proactive measures to address this issue, along with strengthening monitoring mechanisms and record management to prevent such instances in the future.

3.2.2.3 Irregular utilisation of award money received from the sale of land

The Department of Rural Development and Panchayats notified (November 2021) that whenever a Gram Panchayat receives award money from the acquisition or sale proceeds from immovable property or any other source, such income shall be deposited into a Joint Fixed Deposit account in a Nationalised Bank in the name of Sarpanch of Gram Panchayat, Panchayat Secretary of the concerned Panchayat, Block Development & Panchayat Officer. The Gram Panchayat would be entitled to utilise the interest accrued on the fixed deposit amount for the common purposes. The fixed deposit amount will not be released except with the express permission of the Government.

Records indicated that during the period from March 2022 to November 2022, two GPs received ₹ 63.33 lakh (Manawala Kalan (Block Verka): ₹ 24.73 lakh and Hambran (Block Ludhiana-I) ₹ 38.60 lakh) through RTGS (Real Time Gross Settlement) in savings accounts from the National Highway Authority of India (NHAI) for the acquisition/sale of land.

Audit, however, observed that despite the requirement of depositing the above-mentioned sum into a Joint Fixed Deposit account, these two GPs did not deposit ₹ 63.33 lakh in Joint Fixed Deposit account in a Nationalised Bank in the name of Sarpanch of GP, Panchayat Secretary of the concerned Panchayat

and BDPO. This highlights non-adherence to the directives and shortfalls in the monitoring and oversight mechanisms.

The EOPS, Verka stated (September 2023) that the amount had been utilised for various development works, whereas EOPS, Ludhiana-I stated (January 2024) that reasons for non-deposit of the amount in Fixed Deposit would be asked from the GP concerned and audit would be intimated accordingly.

Despite the assurance of January 2024, the reasons for non-deposit had not been provided (October 2025).

3.2.2.4 Non-recovery of rent from the tenants

Section 7 (1) of the Punjab Public Premises and Land (Eviction and Rent Recovery) Act, 1973 stipulates that where any person is in arrears of rent payable in respect of any public premises, the collector may, by order, require that person to pay the same within such time and in such instalments as may be specified in the order.

Based on the review of records, the audit observed that ₹ 9.64 crore was not recovered from tenants in respect of rented properties, including shops, khokhas, halls and buildings, etc. belonging to 27 selected PRIs (*Appendix 3.4*). Further, the details of the actions taken/planned to recover the outstanding amount were not available in the records reviewed.

PRIs stated (April 2023 to February 2024) that efforts would be made to recover the outstanding amount.

Despite lapse of more than 19 months since the above assurance, the updated position of outstanding rent recovery had not been provided by the PRIs (October 2025).

Considering the amount of dues recoverable from tenants, the PRIs were required to develop follow-up and monitoring mechanisms to ensure rent recovery without delay.

3.2.2.5 Irregularities in agreements executed for shops on lease

Rule 84 of the Punjab Panchayat Samitis and Zila Parishads Finance, Budget and Accounts Rules, 2014 provides that every contract made by a Panchayat Samiti or Zila Parishad for any sum or property of an amount of value exceeding rupees ten thousand shall be in writing and shall be signed by the Executive Officer on behalf of the Panchayat Samiti. The terms of the contract must be precise and definite, must have prior approval of the Panchayat Samiti and must leave no room for ambiguity or misinterpretation. Further, Rule 3 (b) of the Punjab Panchayat Samitis and Zila Parishads (Sales, Lease and Other Alienation of Property and Public Places) Rules, 1964 stipulates that all leases shall be awarded through auction after public notice and shall not exceed five years. Based on the test-check of records, Audit observed the following:

(i) The EOPS Rupnagar rented out (2010) 20 shops for ₹ 1,000 per month with a five *per cent* annual increment. However, the duration was not mentioned in the rent agreement, which should be explicitly defined to avoid legal issues and enable periodic review to avoid any potential revenue loss.

On being pointed out, it was replied that the agreements had been executed by the then EOPS and that rent was being received regularly and necessary action was being taken to cancel the agreements. The reply was not acceptable as no documentary evidence of any action or efforts made to cancel the agreements was produced to the audit. Thus, the failure to execute time-bound agreements and reassess rent periodically reflected a weak monitoring mechanism.

(ii) EOPS Dera Bassi auctioned (2003) two shops for a five-year lease. However, no lease deed was executed with the successful bidder, and no fresh auction was conducted after the expiry of the lease period in the year 2008, despite lapse of more than 16 years. As a result, the shops continued to be occupied at outdated rents till date, significantly below the prevailing market rates. No efforts were found on record to reassess or enhance the rent, nor was any monitoring or review undertaken, resulting in avoidable loss of revenue.

EOPS Dera Bassi replied that rent was being increased by five *per cent* and that the Vidhan Sabha Committee in January 2023 had instructed to take the necessary action for reassessment of rents. Further, the Sub-Divisional Officer, Panchayati Raj, SAS Nagar, was requested (April 2023 and June 2023) to conduct a rent reassessment. The reply was not acceptable as no progress or action was found in records in pursuance of the Vidhan Sabha Committee's recommendation and from June 2023 onwards for reassessing rents. The continued collection of rent at outdated rates indicated lapses in monitoring and follow-up.

(iii) EOPS Majri leased (1981) 33 shops through agreements, however, the EOPS stated that copies of these agreements were not available with the office. No fresh agreements were executed thereafter. The same rent structure continued for 44 years, with only a five *per cent* annual increment, without any reassessment based on prevailing market rates. As a result, the rent charged was substantially lower, resulting in significant revenue loss to the Samiti.

The EOPS replied that new agreements would be executed. The reply should be viewed in light of the need to reassess the rent promptly to avoid continued revenue loss from the lower existing rent.

Thus, the above instances of the absence of time-bound agreements, non-availability of rent agreements, lack of periodic reviews or reassessments of rent, etc., reflected shortfalls in supervisory control and monitoring mechanisms, resulting in under-realisation of PRIs' revenue from community assets, thereby affecting the availability of funds for the welfare of the people.

3.2.3 Conclusion

Prescribed records relating to the panchayat land, which were essential for the PRIs' functions, were not maintained or inspected, which highlighted shortfalls in the management of land records. Additionally, irregularities were noticed in the leasing of land, including auctions conducted at reduced rates without obtaining necessary approvals. In two cases, ₹ 6.31 lakh of auction proceeds were not deposited in the specified accounts, reflecting poor financial controls. Unauthorised land occupations measuring 18,123 acres and the irregular utilisation of sale proceeds valuing ₹ 63.33 lakh reflected issues in land and revenue management. Revenue from properties was also adversely affected as the outstanding rent amounted to ₹ 9.64 crore. These shortcomings highlighted the need for improved record-keeping, adherence to regulations and enhanced oversight to safeguard public resources. Instances of non-availability of rent agreements or their periodic review highlighted the need for improved monitoring.

3.2.4 Recommendations

In light of the audit findings, it is recommended that PRIs and Department should:

1. Ensure maintenance of land records in the prescribed formats as per the relevant Acts and Rules.
2. Ensure prompt and full deposit of lease and auction proceeds into the Gram Panchayat Fund.
3. Initiate timely eviction proceedings against unauthorised occupants in accordance with legal provisions.