

Chapter-VI

Compliance Audit Observations (Departments)

This chapter contains six observations covering compliance issues observed in Departments of the Government, involving financial implications of ₹ 195.53 crore. The replies of the Departments and Government have been suitably incorporated in the observations.

AGRICULTURE AND FARMERS' WELFARE DEPARTMENT

Punjab Agricultural University, Ludhiana

6.1 Avoidable Extra Payment of Fixed Charges

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.

Rule 2.10(a) of the Punjab Financial Rules (PFR), Volume-I provides that every Government employee incurring or sanctioning expenditure from the revenues of the State should be guided by high standards of financial propriety. It further provides that every Government employee is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of own money.

As per schedule SVI.1.2 of Electricity Supply Instructions Manual (ESIM), 2018, supply of electricity to all the Government/Government-aided Universities shall be classified under Domestic Supply (DS) category.

Further, in accordance with the decision (November 2017) of the Punjab State Electricity Regulatory Commission (Commission) to implement two-part tariff structure with applicable fixed charges with effect from 1 January 2018, the Punjab State Power Corporation Limited (PSPCL) issued (10 November 2017) a circular detailing *inter alia* tariff applicable from 1 January 2018 to 31 March 2018 for the year 2017-18¹. As per this circular, fixed charges were leviable on 80 *per cent* of the sanctioned contract demand or actual demand recorded during the billing cycle, whichever was higher. Further, as per Conditions of Supply of the PSPCL, a request for reduction in contract

¹ Fixed charges for Domestic Supply category for contracted load above 100 kVA were at the rate of ₹ 60/- per kVA from 1 January 2018 to 31 March 2018 which were revised to ₹ 70/- per kVA with effect from 1 April 2018.

demand was required to be submitted by a consumer in the prescribed form, which will be allowed within a period of 15 days from the date of its submission.

Test-check of records (July 2022) of Punjab Agricultural University (PAU), Ludhiana and subsequent information collected (February 2024) therefrom showed that PAU was having a non-residential supply (NRS) electricity connection of PSPCL instead of domestic supply (DS) connection with sanctioned contract demand of 4400 kVA². In view of provisions under ESIM and PSPCL's circular (November 2017), category of connection and energy load was required to be re-assessed so that the burden of energy charges and fixed charges could be reduced/streamlined. Audit noticed that though the PAU authorities had been requesting PSPCL since February 2015 for rectification of the electricity connection category from NRS to DS, the matter remained unaddressed. Furthermore, PAU did not review its contract demand immediately after issue of the circular *ibid* despite levy of fixed charges by PSPCL with effect from January 2018. Instead PAU kept paying fixed charges on 3520 kVA i.e. 80 *per cent* of already sanctioned contract demand of 4400 kVA under NRS category. Whereas, the actual maximum demand indicator (MDI) of PAU during the period from January to December 2017 was 2070 kVA (June 2017) and during the next five years up to March 2023, it was 2584 kVA in October 2022 (net MDI).

On being pointed out (July 2022) in audit, PAU constituted (November 2022) a Committee to re-assess the contract demand, which decided (February 2023) to reduce the contract demand to 3500 kVA taking into account maximum demand of 2645.8 kVA in October 2022 (net MDI of 2584 kVA as per the electricity bill), during the last five years (i.e. around 35 *per cent* increase over 2584 kVA). Accordingly, the matter for reduction of contract demand was taken up with PSPCL in March 2023 and requisite fee for the purpose was deposited in June 2023. However, category of electricity connection from NRS to DS was not changed.

Audit observed that after issue of tariff circular (November 2017), had the University acted immediately to review its contract demand considering MDI of 2070 kVA in the year 2017 (June 2017), the contract demand of 2800 kVA³ (against the existing sanctioned energy load of 4400 kVA) would have been sufficient with effect from 1 January 2018. Thus, lapse of PAU to timely review its contract demand and category of electricity connection resulted in avoidable extra payment of fixed charges amounting to ₹ 1.21 crore

² Contract demand of 4951.86 kVA being reflected erroneously in the electricity bills was got rectified (July 2023) with actually sanctioned contract demand of 4400 kVA and excess fixed charges paid (₹ 37.59 lakh) against the bills for the period 01.01.2018 to 20.05.2023 were refunded/adjusted.

³ Calculated by giving 35 *per cent* increase over MDI of 2070 kVA (June 2017) on the same lines of assessment of the Committee formed for reduction of load requirements. Further, energy load (contract demand) could be re-assessed by PAU, whenever required, as per the Electricity Supply Instruction Manual-2018, which was also substantiated by the recommendations (February 2023) of Committee to review the electric load of the University twice a year.

during the period from 1 January 2018 to 22 March 2023 (**Appendix 6.1**), in contravention of the codal provisions *ibid*.

Mention was made 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 2015 highlighting excess payment due to incorrect categorisation of electricity connection (Paragraph 3.2). The Public Accounts Committee, while discussing the paragraph, had recommended (August 2022) that the State Government could take up the matter in this regard with PSPCL.

The PAU authorities stated (April 2024) that the University had been requesting PSPCL repeatedly (since February 2015) to correct the category from NRS to DS and refund the excess payment made, however, no action to change the category was taken by PSPCL. It was added that the matter had been taken up again (April 2024) with PSPCL to change the tariff category from NRS to DS. Further, the University authorities attributed the reasons for delay in assessing the contract demand to ongoing process for installation of rooftop solar power plant in the years 2018-2019 and to the restrictions due to COVID pandemic till the year 2022.

The reply of PAU was not convincing as although PAU was making repeated requests to PSPCL since February 2015 for rectification of the tariff category, continued reliance on routine correspondence with PSPCL did not yield any corrective outcome and the matter of incorrect categorisation remained unaddressed. Consequently, PAU continued to incur energy and fixed charges under the NRS category, despite highlighting the issue of incorrect categorisation of electricity connection through earlier Audit Report *ibid* and recommendations of PAC. Further, attributing the delay in contract assessment primarily to rooftop solar installation and COVID-19 restrictions was insufficient. Neither the solar installation (2018-19) nor the COVID-19 (from early 2020 to late 2021) impacted account for delays dating back to January 2018 or continuing into 2024. Furthermore, the University could review/reduce its contract demand immediately in January 2018 in line with the provisions circulated (November 2017) by PSPCL to avoid extra payment of fixed charges, and could review/re-assess its contract demand any time afterwards if required, as per provisions under Electricity Supply Instruction Manual, 2018.

The matter was referred (July 2023 and February 2024) to the State Government; their reply was awaited (January 2025).

**INFORMATION & PUBLIC RELATIONS
AND
PUBLIC WORKS (BUILDINGS & ROADS) DEPARTMENTS**

6.2 Avoidable Expenditure due to Delay of over Two Years in Completion of Work

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 2.5 of the Public Works Department (PWD) Code states that administrative approval is the formal acceptance of the Administrative Department concerned of a proposal to incur expenditure by the Public Works Department on a work, initiated by, or connected with the requirement of such Administrative Department and is, in effect, an order to the Public Works Department to execute certain specified work at a stated sum to meet the administrative needs of the department requiring the work.

Test-check of records (September 2023) of Executive Engineer (EE), Provincial Division, Public Works Department (Buildings & Roads), Amritsar and allied information collected⁴ between May and June 2024 revealed that the Department of Information and Public Relations (DIPR), Government of Punjab (GoP) accorded (January 2014) administrative approval of ₹ 2.26 crore in favour of Public Works Department (PWD) for construction of Press Club building at Amritsar. Accordingly, PWD allotted (March 2014) the work to a contractor for ₹ 2.20 crore with a time limit of six months (i.e. by 3 September 2014) for completing the construction of building. The DIPR, on being demanded (March 2014) funds by PWD, issued financial sanction of ₹ 1.29 crore in favour of EE, PWD (B&R). However, the bill was not passed (March 2014) by the treasury; reasons thereof were not furnished to Audit (July 2024).

After commencement of work, the contractor submitted (May 2014) running bill of ₹ 0.64 crore to PWD, but due to non-payment of the bill, the contractor stopped the work in July 2014. Eventually, DIPR, on being demanded the funds time and again (October 2014 - February 2015) by PWD, released ₹ 0.50 crore in March 2015 i.e. after six months from the intended date of completion of the work and partial bill amounting to ₹ 0.50 crore, against the running bill of ₹ 0.64 crore, was paid (March 2015). However, the contractor did not restart the work due to non-payment of balance amount and also asked (April 2015) for compensation, interest and escalation for delayed

⁴ Information collected from the Provincial Division, PWD (B&R), Amritsar and Department of Information and Public Relations.

work/payment. Consequent upon payment (August 2015) of balance amount of ₹ 0.14 crore, the contractor restarted the work in October 2015 i.e. after more than one year. Finally, the work of Press Club building was completed in December 2016 with delay of more than two years beyond the intended date of completion (3 September 2014) after incurring expenditure of ₹ 1.92 crore.

The possession of the Press Club building was deferred on the directions⁵ (December 2016) of the Deputy Commissioner, Amritsar and the building was looked after/watched by the contractor from March 2017 to December 2018. However, payment on this account was not made to the contractor. Thereafter, EE handed over the building to the President, Press Club in October 2021.

In view of delay in payments and prolongation of work, the contractor invoked the arbitration clause in September 2018. The arbitrator pronounced (12 April 2021) an award of ₹ 1.24 crore⁶ in favour of the contractor which *inter alia* included compensation for prolongation of work (₹ 0.72 crore), idling of labour and machinery (₹ 0.09 crore), price escalation (₹ 0.19 crore) and interest on delayed payments (₹ 0.09 crore), besides cost of arbitration proceedings (₹ 0.05 crore). In case of non-payment of final award within a period of three months, the Department would be liable to pay interest at the rate of nine *per cent per annum* from the date of award till actual payment.

Due to non-payment of award, the contractor filed (May 2021) an execution in the District and Session Court, Amritsar (Court) for release of the awarded amount along with interest. As per orders (August 2023) of the Court, amount of ₹ 0.88 crore was disbursed to the contractor in September 2023. The contractor withdrew (September 2023) the execution being partly satisfied⁷.

The EE stated (May 2024) that the work was allotted in anticipation of provision of due funds by the funding agency (DIPR) in time. The DIPR did not furnish specific reasons for delay in providing adequate funds to PWD.

Thus, lapse of DIPR to provide adequate funds timely to PWD for construction of Press Club building at Amritsar, led to a delay of over two years in the completion of the work. Pursuant to the arbitrator's award in favour of the contractor, the State Government became liable for an avoidable

⁵ The Deputy Commissioner, Amritsar directed (December 2016) to take over the possession of the building only after appointment of Press Club body and approval of Constitution of the Club.

⁶ Prolongment of work: ₹ 71.83 lakh; Expenses incurred until the physical possession is taken over by the client: ₹ 9.92 lakh; Idling of labour and machinery: ₹ 8.71 lakh; Price escalation: ₹ 19.27 lakh; Security deducted by Public Health Department: ₹ 0.34 lakh; Cost of arbitration proceedings: ₹ 5.00 lakh; and Interest: ₹ 8.72 lakh.

⁷ The contractor filed (October 2023) another execution in the District and Session Court, Amritsar for recovery of the remaining amount along with interest, which was pending (November 2024).

payment of ₹ 1.43 crore⁸ including interest of ₹ 0.29 crore⁹ (as on 28 May 2024). As of May 2024, an amount of ₹ 0.88 crore had been paid to the contractor and the interest on balance award of ₹ 0.36 core (out of total award of ₹ 1.24 crore) would keep on increasing till final payment.

The matter was referred (June 2024) to the State Government; their reply was awaited (January 2025).

PUBLIC WORKS DEPARTMENT (BUILDINGS & ROADS)

6.3 Avoidable Payment of Surcharge on Electricity Bills

Delay in payment of electricity bills due to non-inclusion of requisite demand in the budget estimates coupled with non-availability of adequate funds with the Executive Engineer, Electrical Division, Public Works Department (Buildings and Roads), Punjab, resulted in payment of surcharge amounting to ₹ 99.69 lakh to the Chandigarh Administration during the period 2018-2023, thereby causing avoidable burden on already cash-strapped State exchequer.

Rule 2.10(b)(3) of the Punjab Financial Rules, 1984 (Volume-I) (PFR) provides that all charges incurred are drawn and paid at once and are not held up for want of funds and allowed to stand over to be paid from the grant of another year; that money indisputably payable should not, as far as possible, be left unpaid; and that all inevitable payments are ascertained and liquidated at the earliest possible date. Further, Paragraph 5.3 of Punjab Budget Manual provides that the budget estimates should be prepared on the basis of what is expected to be actually paid.

Test-check of records (January 2019 and June 2023) of the Executive Engineer (EE), Electrical Division (Division), Public Works Department (Buildings and Roads Branch) (PWD-B&R), Chandigarh revealed that the Division had been paying the electricity dues in respect of various buildings¹⁰ under the control of Punjab Government, situated at Chandigarh.

Audit scrutiny of electricity bills in respect of five electricity accounts¹¹ being managed by the Division for payment of electricity dues during the period from April 2018 to March 2023 to the Electricity Department, Chandigarh Administration showed that the Division did not prepare/submit in advance its

⁸ Excluding (i) ₹ 10.00 lakh and ₹ 0.34 lakh on account of expenses incurred till taking over physical possession of the building by the client department and security deducted for public health work respectively; and (ii) Arbitration fee/charges, etc.

⁹ Calculated at nine *per cent* (as per arbitration award) from 12.04.2021 to 28.05.2024.

¹⁰ Punjab Civil Secretariat-1 & 2; Chief Minister's residence; residential buildings of Ministers; Punjab Raj Bhawan and its Pool Houses; Hemkunj Shimla; MLA Hostels; MLA Flats and other office buildings.

¹¹ (i) Punjab Civil Secretariat, Sector 1, Chandigarh (A/c No. 102/0372/504001E); (ii) Punjab Mini Secretariat, Sector 9-A, Chandigarh (A/c No. 102/0973/70225XR); (iii) Punjab Raj Bhawan, Sector 6, Chandigarh (102/0771/600620G); (iv) MLAs Hostel, Sector 4, Chandigarh (102/0472/50391SK); and (v) Minister House, Kothi No. 46, Sector 2, Chandigarh (102/0241/004605P).

demand in respect of expected expenditure on payment of electricity dues to the higher authorities i.e. Chief Engineer (Electrical), PWD (B&R), Chandigarh and the Administrative Department (AD) for its inclusion in budget/revised estimates during the years 2018-19 to 2021-22. Rather, it kept demanding requisite funds from the Chief Engineer in piecemeal on the basis of passed electricity bills and for clearing liabilities on this account. Resultantly, the funds were either not released or released with delay to the Division. During the year 2022-23, though the Division had demanded (March 2022) funds in advance from the Chief Engineer for payment of electricity bills, the requisite funds could not be provided to the Division on time in this year too, especially during first two quarters.

Thus, due to non-inclusion of requisite demand in the budget estimates coupled with non-availability of adequate funds on time with the Division, payment of electricity bills got delayed and surcharge amounting to ₹ 99.69 lakh in respect of five accounts (as detailed in **Table 6.1**) had to be paid to the Chandigarh Administration during the period 2018-2023, thereby causing avoidable burden on already cash-strapped State exchequer.

Table 6.1: Details of surcharge paid on electricity bills during the period April 2018 to March 2023

			(₹ in lakh)
Sr. No.	Electricity Account No.	Name of the building	Surcharge paid
1.	102/0372/504001E	Punjab Civil Secretariat, Sector 1, Chandigarh	57.72
2.	102/0973/70225XR	Punjab Mini Secretariat, Sector 9-A, Chandigarh	26.27
3.	102/0771/600620G	Punjab Raj Bhawan, Sector 6, Chandigarh	6.44
4.	102/0472/50391SK	MLAs Hostel, Sector 4, Chandigarh	6.38
5.	102/0241/004605P	Minister House, Kothi No. 46, Sector 2, Chandigarh	2.88
Total			99.69

Source: Departmental data

On this being pointed out (June 2023), EE stated that the demand for budget grant for payment of electricity charges was not sent to higher office (Chief Engineer/Administrative Department) in advance as they did not ask for that. However, funds for electricity bills were demanded in advance (on the basis of passed electricity bills), but these were received late. Hence, payment of surcharge had to be made. The reply of EE was not in line with the codal provisions *ibid*. The Chief Engineer did not furnish reasons for not providing adequate budget grant to the Division for payment of electricity bills by due dates (May 2024).

The matter was referred (January 2022) to the State Government; their reply was awaited (January 2025).

Recommendation: The State Government may ensure preparation of realistic budget estimates by the Department/Divisions and provision for timely availability of adequate funds for payment of electricity bills by due dates to avoid payment of surcharge thereon.

WATER RESOURCES DEPARTMENT

6.4 Non-recovery of Water Cess for Use of Canal Water

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.

The Thirteenth Finance Commission opined that surface water irrigation was in need of policy correction due to poor recovery of user charges from the occupiers of land who use canal water, which resulted into poor maintenance of irrigation networks; and accordingly recommended to fix and regulate the water tariff system and to periodically review and monitor the water sector costs and revenues. Further, as per observations of the Fourteenth Finance Commission, water fees/charges for irrigation are collected from the users for two main reasons – to cover operation and maintenance (O&M) costs, so that a project is financially sustainable; and to encourage the users to use less water per unit of output, or generate higher net economic returns per unit of water, or both. Historically, the first objective has been paramount, but as water scarcity increases, the water-use efficiency objective is likely to grow in importance and be accorded higher priority.

Accordingly, Government of Punjab (GoP) amended (November 2014) the Northern India Canal and Drainage Act, 1873 through Punjab Ordinance¹² No. 3 of 2014. The Ordinance provided that the State Government may levy a water cess on the occupiers of land, who use canal water for the purposes of irrigation at the rate to be determined by the State Government from time to time and such occupiers as accept the water, shall pay for water cess accordingly. The water cess so collected shall be used by the State Government for maintenance and development of irrigation infrastructure. Consequently, Department of Water Resources (Department), GoP levied (November 2014) water cess of ₹ 50/- per acre per crop on the occupier of the land who used canal water for the purpose of irrigation. The water cess would be payable by the users by 31 May and 30 November for *Rabi* and *Kharif* crops respectively every year.

Further, the Department (earlier Irrigation Department) *inter alia* instructed (November 2014) its Chief Engineer/Superintending Engineers/ Executive Engineers that the amount of water cess so collected from the users of canal water would be credited into the accounts of the Societies, to be established at divisional level under the supervision of the Executive

¹² Later on, enacted as the Northern India Canal and Drainage (Punjab Amendment) Act, 2014 (Punjab Act No. 7 of 2015) in February 2015.

Engineers and would be utilised for repair, maintenance and modernisation of distributaries, minors and sub-minors.

Test-check of records in the offices of the Principal Secretary, Department of Water Resources, GoP (April 2019) and the Additional Director-cum-Controller (F&A), Irrigation Branch (May 2023) showed that out of the recoverable water cess of ₹ 237.16 crore, the Department had collected (2014-2023) ₹ 29.38 crore¹³ (12.39 per cent) only from the occupiers of land who used canal water for irrigation purposes, leaving a balance of ₹ 207.78 crore unrecovered as of March 2023. The amount of water cess so collected was kept in the Savings Bank accounts of the Societies at divisional levels¹⁴. Out of the collected amount of water cess of ₹ 29.38 crore, an amount of ₹ 19.05 crore was spent for the purpose during the same period; the year-wise details thereof are given in **Table 6.2**.

Table 6.2: Details of amount of water cess recovered and expenditure incurred therefrom during the period 2014-2023

(₹ in crore)							
Year	Opening balance of water cess recoverable	Water cess recoverable during the year	Total water cess recoverable	Water cess recovered	Expenditure incurred	Balance of cash in hand	Water cess not recovered (Closing balance)
1	2	3	4 (2+3)	5	6	7 (5-6)	8 (4-5)
2014-15	--	30.18	30.18	3.62	0.01	3.61	26.56
2015-16	26.56	29.07	55.63	7.70	7.68	0.02	47.93
2016-17	47.93	28.49	76.42	1.53	2.41	-0.88	74.89
2017-18	74.89	26.38	101.27	2.28	0.42	1.86	98.99
2018-19	98.99	26.65	125.64	3.50	1.45	2.05	122.14
2019-20	122.14	27.12	149.26	3.14	2.63	0.51	146.12
2020-21	146.12	26.51	172.63	2.46	2.00	0.46	170.17
2021-22	170.17	26.28	196.45	2.13	1.57	0.56	194.32
2022-23	194.32	16.48	210.80	3.02	0.88	2.14	207.78
Total		237.16		29.38	19.05	10.33	

Source: Departmental data

Audit observed that during the same period i.e. 2014-2023, the Department had spent ₹ 184.04 crore¹⁵ on the repair, maintenance and modernisation of distributaries, minors and sub-minors out of State budget¹⁶.

The Department attributed (November 2023) the reasons for huge arrears of water cess to non-payment by the users at the behest of the unions. It was further stated (November 2024) that farmers were being encouraged continuously to deposit the water cess.

¹³ Details of interest earned, if any, were not disclosed by the Department.

¹⁴ (i) Bhakra Main Line Canal and Ground Circle, Patiala; (ii) Ferozepur Canal Circle; (iii) Kandi Canal Circle, Hoshiarpur; (iv) Kandi Area Dam Circle, Hoshiarpur; (v) UBDC, Amritsar; (vi) Sirhind Canal Circle, Ludhiana; and (vii) IB Circle, Patiala.

¹⁵ 2014-15: ₹ 22.79 crore; 2015-16: ₹ 20.00 crore; 2016-17: ₹ 14.45 crore; 2017-18: ₹ 14.90 crore; 2018-19: ₹ 11.02 crore; 2019-20: ₹ 13.00 crore; 2020-21: ₹ 28.00 crore; 2021-22: ₹ 46.00 crore; and 2022-23: ₹ 13.88 crore.

¹⁶ Head of Account: 2701-80-800-08-99-27.

Thus, the Department could not recover the due amount of water cess (₹ 207.78 crore) from the occupiers of land who used canal water besides fully utilising the funds available with Societies (₹ 10.33 crore), which was not in line with the provisions under the Act *ibid* and recommendations of the Finance Commissions to collect water fees/charges to cover O&M costs of the irrigation networks and to encourage the users to use less water per unit of output, thereby impairing the water-use efficiency objective. Resultantly, the expenditure of ₹ 184.04 crore on the repair, maintenance and modernisation of distributaries had to be met out of the State budget thereby burdening the cash strapped State exchequer during the period 2014-2023, which could have been avoided.

The matter was referred to the Government in July 2023; their reply was awaited (January 2025).

Recommendation: The State Government may take appropriate steps to recover both outstanding and current water cess from the users of canal water as per provisions under the Northern India Canal and Drainage (Punjab Amendment) Act, 2014.

6.5 Avoidable Payment of Interest on Land Compensation

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.

As per Punjab Financial Rule 2.10(b)(3), money indisputably payable should not be left unpaid; and all inevitable payments should be ascertained and liquidated at the earliest possible date.

Section 18 read with Section 28 of the Land Acquisition Act, 1894 (Act), provides that any person interested who has not accepted the award¹⁷ may, require that the matter be referred by the Collector¹⁸ for the determination of the Court¹⁹. The Court may direct that the collector shall pay interest on excess compensation awarded by the Court at the rate of nine *per cent per annum* from the date on which he took possession of the land to the date of payment of such excess into Court. If the excess compensation or any part thereof is paid into Court after the date or expiry of a period of one year from the date on

¹⁷ "Award" refers to the formal decision made by the Land Acquisition Officer (LAO) or the Collector regarding compensation to be paid to the landowner whose property is being acquired by the Government for public purposes. Award includes determination of compensation, entitlement of compensation, details of land and property, other benefits, etc. under the Land Acquisition Act, 1894.

¹⁸ "Collector" means the Collector of a district and includes a Deputy Commissioner and any officer specially appointed by the appropriate Government to perform the function of a Collector under this Act.

¹⁹ "Court" means a Principal Civil Court of original jurisdiction, unless the appropriate Government has appointed a special judicial officer within any specified local limits to perform the functions of the Court under this Act.

which possession is taken, interest at the rate of 15 *per cent per annum* shall be payable from the date of expiry of said period of one year on the amount of such excess or part thereof which has not been paid into court before the date of such expiry.

Audit observed the following:

(i) Test check of records (November 2023) of office of the Financial Advisor and Chief Accounts Officer, Ranjit Sagar Dam Project, Shahpurkandi (FA&CAO) and subsequent information collected (up to March 2024) revealed that Land Acquisition Collector (LAC), Ranjit Sagar Dam Project, Shahpurkandi, Irrigation Department (now Water Resources Department), Government of Punjab (GoP) acquired (12 March 1998²⁰) land measuring 256.16 acre (i.e. 2,689 *kanal* and 14 *marla*) at the rates ranging from ₹ 20,000/- per acre to ₹ 60,000/- per acre (i.e. ₹ 95.24 per *marla* and ₹ 285.71 per *marla*) for different categories of land for reservoir area of Shahpurkandi Dam.

Aggrieved with the market value assessed by LAC, some of the landowners filed (September 1998, October 1998 and January 2000) Land Acquisition Cases (42 cases) under Section 18 of the Act in the District Court, Gurdaspur for enhancement of compensation of acquired land. The District Court enhanced (September 1999 and June 2000²¹) the rates of different categories of land ranging between ₹ 125/- per *marla* and ₹ 800/- per *marla* along with other benefits as per the Act. Dissatisfied with the decision of the District Court, the landowners filed (July 2001 and August 2005) Regular First Appeals (RFA) (39 RFAs) in Punjab and Haryana High Court for enhancement in compensation of land. The High Court enhanced (January 2016 and April 2016) the compensation of the land to ₹ 1,754/- per *marla* uniformly for all categories of land along with other statutory benefits under the Act.

Audit noticed that after the decision (January 2016 and April 2016) of the High Court, the Department paid (April 2019 - October 2022) the enhanced compensation amounting to ₹ 7.92 crore after a delay of 38-80 months, besides payment of interest amounting to ₹ 25.06 crore²² thereon (Appendix 6.2).

The Department attributed (March 2025) the reasons for delay in making payment to delayed receipt of legal advice from the Advocate General, Punjab; decretal statements from LAC; and sanctions for requisite funds from

²⁰ GoP issued notification under Section 4 of the Act on 27 July 1995; and declaration under Section 6 of the Act on 15 March 1996. The possession of the land was taken on 25 November 1998.

²¹ In one case (filed in January 2000), the District Court dismissed (October 2003) the petition of the landowner disallowing the enhancement in rates of the land over and above those already awarded by the District Court in June 2000.

²² Calculated from the dates applicable under the Act *ibid* to the dates up to which the interest amount was calculated in the decretal statements.

the Finance Department. Audit, however, observed that the delays were purely of administrative nature and were avoidable.

Thus, delay of 38-80 months in payment of enhanced compensation to the landowners in compliance to the decision of the High Court inflicted avoidable burden on the State exchequer on account of interest amounting to ₹ 4.83 crore²³ for the period ranging 734-1,921 days (**Appendix 6.2**).

The matter was referred (May 2024) to the State Government; their reply was awaited (January 2025).

(ii) Test-check of records (May 2023) of the Executive Engineer (EE), Kandi Canal Stage-II Division, Hoshiarpur disclosed that Land Acquisition Collector (LAC), Construction Circle, Hoshiarpur, Irrigation Department (now Water Resource Department), Government of Punjab (GoP), acquired (12 July 2007) land measuring 90 *kanal* and 6 *marla* for construction of Kandi Canal Stage-II from KM 62.705 to 63.700.

Dissatisfied with the market value assessed by LAC, one of the landowners approached (March 2011) the District Court, Hoshiarpur under Section 18 of the Act for enhancement of compensation of acquired land as well as for award of compensation of unacquired²⁴ land. The Court awarded compensation²⁵ for the unacquired land (December 2012) but did not enhance the compensation of the acquired land. For enhancement of compensation of the acquired land, the landowner filed (June 2013) appeal in Punjab and Haryana High Court. The High Court enhanced (10 May 2016) the rate of the land to ₹ 18,040/- per *marla* (from ₹ 2,250/- per *marla*) along with other benefits as per the Act.

Due to non-payment of enhanced compensation by the Department as per decision (10 May 2016) of the High Court, the landowner filed an execution (April 2021) in the District Court, Hoshiarpur. The Department attributed (August 2022) the reasons for non-payment to the landowner to pending Special Leave Petitions (SLP) in the Hon'ble Supreme Court (till November 2017) in other similar cases, reorganisation of the Department and COVID-19 pandemic, affecting their official work. Nevertheless, after intervention of the Court, the Department paid (March 2023) ₹ 3.18 crore, which included enhanced compensation of ₹ 0.85 crore and interest of ₹ 2.09 crore for the period from 4 November 2005 to 31 December 2022 in respect of the acquired land; and ₹ 0.24 crore on account of enhanced

²³ Calculated from the dates of the decision of the High Court plus 90 days for appealing in Supreme Court to the dates up to which the interest amount was calculated in the decretal statements.

²⁴ On the plea of unacquired land becoming uncultivable due to construction of canal, as it was bifurcated on two sides of the canal.

²⁵ Severance charges (solatium) at the rate of 30 *per cent* of the market value under Section 23(2) of Act; appreciation charges at the rate of 12 *per cent* per annum from the date of issuance of notification under Section 4 (21-01-2005) till the date of taking possession (3-11-2005) or announcement of award (12-7-2007) whichever is earlier under Section 23(1)(a) of the Act; and interest at the rate of 9 *per cent* per annum for the first year from the date of issuance of notification under Section 4 and thereafter at the rate of 15 *per cent* per annum till realisation of the entire amount of compensation.

compensation (excluding appreciation charges²⁶ of ₹ 2.23 lakh and interest under the Act, which were yet to be paid) in respect of the unacquired land.

The Chief Engineer (Canals) stated (May 2025) that the Hon'ble High Court order (May 2016) only confirmed the decree holder's entitlement to enhanced compensation and did not direct the Department to release payment. The reply of the Department was not acceptable as no such directions were warranted from the Court and the Department was required to calculate the amount of enhanced compensation payable to the landowner in accordance with the Act.

Thus, delay of more than 64 months²⁷ in payment of land compensation enhanced by the Court inflicted avoidable burden on the State exchequer on account of interest amounting to ₹ 0.84 crore for the period from 14 November 2017²⁸ to 31 December 2022 (**Appendix 6.3**), of which ₹ 0.64 crore on the acquired land had been paid to the landowner. Besides, interest on balance amount of ₹ 2.23 lakh (appreciation charges in respect of unacquired land) would keep on increasing till final payment.

The matter was referred (July 2023) to Government; their reply was awaited (January 2025).

Recommendation: The State Government may ensure payment of compensation to landowners immediately on it becoming due to avoid payment of interest on delayed payments.

6.6 Avoidable Payment of Compensation and Interest

Lapse of the Department to fulfil its contractual obligations causing time overrun, which led to award of compensation (including interest) by the arbitrator followed by perpetuation/indecision in defending the case in the Court of Law, resulted in an avoidable payment of compensation and interest of ₹ 2.73 crore to the contractor.

Rule 2.75 of Punjab Public Works Department Code (Code) provides that engineers and their subordinates are responsible to strictly enforce the terms of contract and no act is done tending to nullify or vitiate a contract. Further, Rule 17.17 of Punjab Financial Rules (Volume-I) provides that money indisputably payable, should not, as far as possible, be left unpaid.

Audit of records (February 2020) in the office of the Executive Engineer, Shah Nehar Extension (SNE) Mechanical Division, Hoshiarpur (EE) and subsequent information collected (March 2023) therefrom revealed that the work "Construction of Lohand Siphon with intake regulator at RD 0.149 km of SYL Canal" was allotted (March 1985) to a contractor at a cost of

²⁶ Calculated at the rate of 12 per cent from the date of issuance of notification under Section 4 (21-1-2005) of the Act till the date of possession (3-11-2005).

²⁷ November 2017 to March 2023.

²⁸ Calculated from 14-11-2017, the date on which the Supreme Court dismissed the Special Leave Petition filed by the Department as well as landowners in other similar cases.

₹ 0.71 crore to be completed within 18 months i.e. by September 1986. However, the work was completed (March 1990) with a time overrun of 42 months. The delay in completion of the work was attributed to late supply of drawings, delayed supply of material to the contractor coupled with late arrangement of electricity connection, stopping of work by work-charged staff, etc.

Due to time overrun, the contractor, after pursuing the matter with the Department (since November 1991) seeking compensation and appointment of arbitrator for the purpose, approached the Court of Law²⁹, which appointed/reappointed an arbitrator in January 2010/May 2014. The arbitrator awarded (February 2015) the compensation of ₹ 7.34 lakh along with interest thereon at the rate of 15 *per cent per annum* compounded annually for the period from November 1991 to February 2015 (i.e. till the date of award) and further interest at the rate of 10 *per cent per annum* on the sum compounded (February 2015) till its realisation.

The EE, instead of executing the award by making payment to the contractor, approached (September 2015-October 2016) the District Courts and High Court seeking legal relief. But the respective Hon'ble Courts denied/dissmissed (January 2016-February 2017) the relief petitions being not having territorial jurisdiction/time barred³⁰/devoid of merit. Eventually, the Hon'ble Supreme Court condoned (November 2017) the delay, however, no further action was initiated by the Department to pursue/defend the case.

Subsequently, on the basis of an execution order passed (July 2018) by the District Court, the EE paid (November 2018) ₹ 2.73 crore³¹ to the contractor on account of compensation and due amount of interest, as per arbitration award.

The Chief Engineer (Canals) attributed (May 2025) the reasons for delayed payment to the contractor to the prolonged legal process. The Department, however, did not furnish reply/reasons for delay in approaching the District Court and for not pursuing the case in the Court of Law (i.e. District Court) after the delay was condoned by the Hon'ble Supreme Court.

Thus, lapse of the Department to fulfil its contractual obligations, followed by indecision and delay in defending the case in the Court of Law, led to award of

²⁹ Hon'ble Court of Civil Judge (Senior Division), Rupnagar.

³⁰ Delay of 102 days (192 days from 1 March 2015 to 8 September 2015 (-) admissible 90 days to file the petition).

³¹

	<i>(₹ in lakh)</i>
Compensation	7.34
Interest on compensation at the rate of 15 <i>per cent per annum</i> compounded annually from November 1991 to February 2015	183.14
Interest on compounded amount at the rate of 10 <i>per cent per annum</i> from from the date of award to its actual realisation (i.e. from March 2015 to October 2018).	82.42
Total	272.90

compensation (including interest) by the arbitrator. This resulted in an avoidable payment of compensation and interest of ₹ 2.73 crore to the contractor.

The matter was referred (March 2023) to the State Government; their reply was awaited (January 2025).



Chandigarh
The 15 September 2025

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

Countersigned



New Delhi
The 30 September 2025

(K. SANJAY MURTHY)
Comptroller and Auditor General of India