

CHAPTER-IV

AUDIT OF TRANSACTIONS

Audit of transactions of the Departments of the Government, their field formations as well as of the autonomous bodies brought out several instances of lapses in management of resources and failures in the adherence to the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs.

4.1. Infructuous expenditure

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

4.1.1. *Infructuous expenditure on construction of Indoor Stadium*

Failure of PUDA to ensure the availability of funds before commencement of a deposit work resulted in the work remaining incomplete, rendering expenditure of Rs 3.15 crore infructuous and blocking of PUDA's own funds amounting to Rs 1.86 crore

The Government of Punjab decided (May 1999) to construct an indoor stadium on municipal land at Moga. Administrative approval for the work was accorded in January 2001 by the Punjab Urban Development Authority (PUDA) at a cost of Rs 2.21 crore. Rupees 1.20 crore for this work were to be provided by the Sports Department (Rs 60 lakh by the Sports Department of the State and Rs 60 lakh by the Sports Authority of India through the State Government). The balance was to be arranged by auction of commercial property by PUDA as well as by the Municipal Council (MC) Moga. The work was to be executed by PUDA. The rules provide that when a deposit work is to be carried out, the local body or other party concerned should advance the gross estimated expenditure in one lump, or in instalments by such dates as may be specifically spelt out by the executing agency.

Scrutiny of records of the office of the Divisional Engineer Construction-I, PUDA, Ludhiana revealed (June 2004) that the Sports Department of the State deposited Rs 60 lakh and PUDA raised Rs 68.82 lakh by auction of commercial property of the Municipal Council, Moga. The work was awarded in March 2001 to a contractor and against the deposited amount of Rs 1.29 crore, expenditure of Rs 3.15 crore was incurred as of March 2004¹ on the work. As stated (February 2004) by the Divisional Engineer, PUDA, Ludhiana, the work has been completed to the extent of 69 *per cent*. The excess expenditure of Rs 1.86 crore was met by PUDA from their own sources. Further, the execution of work was stopped (November 2002) by the Chief Administrator, PUDA and the work had been lying incomplete since November 2002 for want of funds from the clients (Sports Authority of India and MC Moga). Failure of PUDA to ensure availability of funds before commencement of the work forced

¹ Booking of expenditure continued even after stoppage of execution in November 2002.

it to abandon the work, rendering the expenditure of Rs 3.15 crore infructuous as the incomplete stadium was not put to use at all and blocking of PUDA's own funds to the extent of Rs. 1.86 crore.

On this being pointed out (June 2004), PUDA stated (June 2004) that reply would be given after examining the records. Further reply has not been received (December 2005).

The matter was referred to Government in March 2005; reply has not been received (December 2005).

WATER SUPPLY AND SANITATION DEPARTMENT

4.1.2. Infructuous expenditure due to abandoned water supply schemes

Six Rural Water Supply Schemes were abandoned due to the hydrological and geographical investigation about the quality of water not having been conducted prior to the execution of work, resulting in infructuous expenditure of Rs. 18.09 lakh

With a view to providing water supply facilities in schools and other institutions in the villages covered under the 'Pradhan Mantri Gramodaya Yojana' (PMGY), Punjab Government approved six² Rural Water Supply (RWS) Schemes in Sangrur District under the PMGY Project at an estimated cost of Rs 90.24 lakh. The administrative approval for these schemes provided that before implementing the schemes, the source of water was to be established scheme-wise after detailed hydrological and geological investigation by the Central Ground Water Board (CGWB) to ensure water quality as well as quantity required for the estimated population. The Chief Engineer also advised that before taking the work in hand, it should be ensured that water from the tubewells was potable and available in adequate quantity to meet the requirements of the schemes.

Test check of the records of six water supply schemes executed by XEN, Water Supply and Sanitation (RWS) Division at Sangrur revealed (March 2005) that the works of boring and installing six tube-wells in six villages were allotted to contractors between August 2001 and August 2003 without getting the hydrological and geographical investigations conducted from CGWB. As the water was not found potable, these works had to be abandoned (between October 2001 and January 2004) rendering the expenditure of Rs. 18.09 lakh on them infructuous. Consequently, the population of these six villages was denied the availability of potable drinking water.

On this being pointed out (March 2005), the Executive Engineer admitted (April 2005) that the schemes were abandoned due to non-availability of potable water and confirmed that no fresh tubewells had been installed so far.

² Water supply scheme at village (i) Bhullan (ii) Gidrani (iii) Beopur (iv) Bhathuan (v) Khandebad and (vi) Bahmni wala.

The matter was referred to the Government and the Chief Engineer in May 2005; reply has not been received (December 2005).

4.2. Wasteful expenditure/loss to Government

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

4.2.1. Wasteful expenditure causing loss to PUDA

Creation of NTPDAA without following the provisions of law resulted in its dissolution and expenditure of Rs 2.03 crore infructuous

Government decided (May 1999) to set up a new town of Anandgarh and, for that purpose, created a special authority as a statutory organisation of the State Government, to be called the New Town Planning and Development Authority for Anandgarh (NTPDAA). The authority was to arrange funds from the Housing and Urban Development Corporation (HUDCO) as well as other private financial institutions.

Scrutiny of records of the Punjab Urban Planning and Development Authority (PUDA), Mohali in June 2002 and further information collected in May 2005 revealed that some of the land owners whose land had been acquired under section 4 of the Land Acquisition Act, had filed (2000) a writ petition against the acquisition of land for the project in the Punjab and Haryana High Court which, in turn, quashed (March 2001) the notification, holding that the provisions of the Punjab Regional and Town Planning and Development Act, 1995 (PRTPD) had not been followed, apart from making other observations regarding viability of the project and violation of provisions of the Punjab New Capital Periphery (PNCP) Act. Consequently, the Government dropped (February 2002) the Project and dissolved NTPDAA (February 2002) with the direction to PUDA that the entire expenditure of NTPDAA would be deemed to have been incurred by PUDA in furtherance of its own objects and functions under the PRTPD Act, 1995 and ordered the transfer of the assets and liabilities of NTPDAA to PUDA. The details of transferred assets and liabilities of NTPDAA revealed that expenditure of Rs 1.44³ crore was incurred by NTPDAA. In addition, there were liabilities of NTPDAA of Rs 58.61⁴ lakh which were yet to be discharged. Thus, the improper planning of Government to start the project, without regard to the provisions of the PRTPD Act and the PNCP Act and subsequent dropping of the project, resulted in wasteful expenditure and caused ultimate loss to PUDA to the tune of Rs 2.03 crore (Rs 1.44 crore plus Rs 58.61 lakh).

On this being pointed out (June 2002), PUDA stated (May 2005) that while dissolving the NTPDAA, the Government had ordered transfer of assets and liabilities of the defunct authority to PUDA and the expenditure would be

³ Net expenditure: (after adjustment of assets in form of cash and security deposit), Administrative expenditure: Rs 66.24 lakh, office expenses: Rs 19.86 lakh, Legal & professional expenses: Rs 34.78 lakh, advertisement: Rs 21.22 lakh and other expenses Rs 2.45 lakh.

⁴ Net liabilities: Advertisements: Rs 22.24 lakh, Financial Consultant: Rs 25.99 lakh, Foreign tour: Rs 5.66 lakh and other liabilities: Rs 4.72 lakh.

treated as deemed to have been incurred by PUDA in furtherance of its own objects and functions. The Government did not initiate the project after proper planning and the provision of the PRTPD Act and the PNCP Act were ignored. As a result, wasteful expenditure had to be incurred.

The matter was referred to Government in February 2005; reply has not been received (December 2005).

IRRIGATION & POWER DEPARTMENT

4.2.2. Non-levy of departmental charges

Non-inclusion of departmental charges in the estimates of a deposit work executed on behalf of a private agency resulted in non-recovery of departmental charges of Rs 67.06 lakh

In line with the policy and the guidelines of the State Government, the Punjab Energy Development Agency (PEDA) had been taking up a number of mini hydel projects on various canal systems in Punjab and a number of sites had been allotted to private developers for setting up of mini/micro hydel power generation projects on 'build, operate and own' basis (BOO). According to the Departmental Financial Rules⁵, departmental charges are leviable at the rate of 27.5 *per cent* on deposit works undertaken by any Government Department on behalf of any local body or other parties. Remission of these charges is not permissible except with the consent of the Finance Department.

Audit scrutiny of the records of the Executive Engineer, Bathinda Canal Division, Bathinda (XEN) in September 2004 and information collected subsequently in March 2005 revealed that on the allotment of the Dadahur Hydro Electric Power Project on Bathinda Main Branch to a promoter Aqua Power Limited (APL), a tripartite agreement was executed (August 2001) among the Punjab Irrigation Department (PID), PEDA and APL. As per the agreement, the works of realignment and re-channelisation or restoring was to be done by the PID as per the canal design and the requirement on behalf of the promoter. The Chief Engineer approved (October 2003) project estimate for the work of combining of fall on Bathinda Branch at RD 155500, Dadahur to fall at RD 185000, Chak Bhaike at a cost of Rs 3.61 crore. The work was taken up in January 2004 and an expenditure of Rs 2.44 crore was incurred as of February 2005 against the deposit of Rs 2.45 crore made by the promoter. However, it was noticed that the Department had neither made provision for departmental charges in the estimate nor levied or recovered the same from the promoter nor included any such clause in the agreement. This resulted in non-recovery of departmental charges of Rs 67.06 lakh on deposit work executed upto February 2005 on behalf of the private promoter.

On this being pointed out (September 2004), XEN stated (December 2004) that provision of Rs 27.5 *per cent* departmental charges had been made in the revised estimates of the work but the recovery was not being made as the matter stood referred to the Secretary, Department of Irrigation for advice. The

⁵ Rule 7.131 of DFR read with para 8 of Appendix 2 (amended).

reply of XEN was not acceptable because it had failed to include a clause to levy the departmental charges in the original agreement and did not initiate any action to realise the departmental charges despite having been intimated (December 2004) by the Irrigation Department to do so on account of supervision of the work. Further report on action taken in the matter has not been received (December 2005).

The matter was brought (January 2005) to the notice of the Chief Engineer and the Government; reply has not been received (December 2005).

IRRIGATION AND POWER DEPARTMENT

4.2.3. Wasteful expenditure on payment of electricity bills

Failure to get machinery repaired resulted in wasteful expenditure of Rs 22.48 lakh
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The lift irrigation scheme on the left side of Anandpur Sahib Hydel Channel was designed and commissioned in February 1995 to provide irrigation facilities to Cultivable Command Area (CCA) of 1558 acres of land in six villages falling between Nangal Township and Village Daroli.

Audit scrutiny of the records of the Executive Engineer, Ropar Head Works Division, Ropar revealed (June 2004) that the scheme had become inoperative since January 2001 as some machinery like pumping sets, electrical panels and rising mains, etc. required replacement of parts. Though the cost of repair involved was about Rs. seven lakh, the repair was not got done. Due to non-payment of electricity bills, the PSEB disconnected power in November 2003. The scheme was made functional in February 2004 after having been repaired at a cost of Rs 6.81 lakh. A bill amounting to Rs 22.48 lakh on account of electricity charges for the inoperative period was also paid (February 2004) without giving any irrigation facilities to the CCA.

Thus, the failure of the Department to arrange an amount of Rs 6.81 lakh for getting the machinery repaired for three years not only resulted in wasteful expenditure of Rs 22.48 lakh but also denial of irrigation facilities to the farmers of the area.

On this being pointed out (January 2004), the Executive Engineer, while admitting the facts, stated (December 2004 and April 2005) that the only reason for non-operation of the scheme was non-availability of funds despite repeated requests to higher authorities.

The matter was referred to the Government and the Chief Engineer in April 2005; reply had not been received (December 2005).

AGRICULTURE DEPARTMENT

4.2.4. Injudicious cancellation of auction

Cancellation of auction by the Department adversely affected developmental works, led to avoidable litigation and resulted in loss of interest of Rs 20.24 lakh

Rule 3(i) of the Punjab New Mandi Township (Development and Regulation) Rules, 1960, stipulates that the land and buildings in New Mandi Townships shall be sold by the State Government by public auction or allotment. In case of sale by public auction, the sale price shall be the reserve price or the price offered by the highest bidder, whichever is higher.

Audit scrutiny (December 2004) of records of the office of the Director Colonisation Punjab, Chandigarh (Director) revealed that 27 commercial sites located at the new grain market, Jandiala Guru (Amritsar) were auctioned (October 2000) for a total price of Rs 91.05 lakh. An amount of Rs 22.76 lakh, being 25 per cent of the bid money was received and deposited (October 2000) in Government account. The balance of Rs 68.29 lakh was to be deposited by the bidders in six half yearly instalments of Rs 11.38 lakh each. The auction was, however, cancelled by the Director (November 2000) as the same was stated to have been held without fixation of reserve price. The successful bidders were, however, informed by the Director at a belated stage in May 2002 and 25 per cent of the bid amount was refunded to the bidders in August 2002. Meanwhile, the affected parties filed (July 2002) a writ petition in the Hon'ble Punjab and Haryana High Court which quashed (October 2002) the orders of cancellation of auction passed by the Director. The SLP and the review petition filed (2004) by the Department were also dismissed (January 2004 and January 2005) by the Hon'ble Supreme Court, holding the Department at fault for cancelling the auction. Consequently, the Department had to issue allotment letters to the petitioners at the same auctioned price.

The scrutiny of records revealed that though the fact of having received higher bid (Rs 91.05 lakh) amount than the prevailing (October 2000) market price (Rs 64.25 lakh) was very much in the notice of the Department, the auction was improperly ordered as cancelled. The injudicious cancellation of auction and the prolonged and unnecessary litigation by the Department adversely affected the developmental works at the *mandi* without fetching any additional revenue for the State and resulting in loss of interest of Rs 20.24 lakh⁶ (calculated at the Government borrowing rate prevailing during the same period).

On this being pointed out (December 2004), the Director stated (May, 2005) that as the allotment letters were not issued, the interest did not become due. The reply of the Department is not acceptable as the allotment letters could not be issued because of the cancellation (November 2000) of auction held in October 2000.

⁶ Interest calculated for the periods between April 2001 and May 2005 during which the amounts of earnest money and balance instalments (Rs. 91.05 lakh) should have been deposited as per auction held in October 2000.

The matter was referred to Government (February 2005); their reply is awaited (December 2005).

4.3. Unfruitful expenditure

EDUCATION DEPARTMENT

4.3.1. *Unfruitful expenditure due to non-utilisation of the services of teachers*

Deployment of primary teachers against clerical posts hampered the interest of primary education in schools

The Primary Education Act, 1960, envisaged compulsory education to all children in the age group of 6-14 years. The national policy on education also envisaged a substantial improvement in the quality of education through strengthening of supervisory cadres in the primary schools.

Scrutiny (April 2004) of records by audit and information collected (March 2005) subsequently in the office of three District Education Officers (DEOs) at Ferozpur, Gurdaspur and Hoshiarpur, revealed that no teacher was deployed during the academic session 2002-03 and 2003-04 in 124⁷ primary schools set up in these districts, though 4849 students (Ferozpur: 2102, Gurdaspur: 1537 and Hoshiarpur: 1210) remained on the rolls during the session.

It was also noticed that the shortage of teachers was caused due to diversion/deployment of 52 teachers on clerical jobs in the offices of DEOs and Block Primary Education Officers (BPEOs) which ultimately hampered the implementation of the National Education Policy.

Irregular action on the part of the Department to divert teachers to clerical jobs, inspite of the fact that schools were running without teachers, resulted in unfruitful expenditure of Rs 67.01 lakh (Ferozpur: Rs 20.75 lakh, Gurdaspur: Rs 18.96 lakh, Hoshiarpur: Rs 27.30 lakh) on pay and allowances disbursed to them during 2002-04 as their services were not used for teaching.

On this being pointed out (July 2004), the Government while admitting the fact ordered (October 2004) that all teachers working in DEOs/BPEOs offices be transferred back to the schools where posts were lying vacant and no teacher should be posted to any clerical post so as to safeguard the interest of students. However, DPI was not equipped (May 2005) with the data regarding teachers actually transferred from DEO's/BPEO's to schools.

⁷ Ferozpur-45, Gurdaspur-45 and Hoshiarpur-34.

4.4. Idle investment

In four Departments, various schemes and works were sanctioned and their execution started but these were suspended after incurring substantial expenditure due to paucity of funds. Failure to ensure availability of funds rendered the expenditure of Rs 4.20 crore idle

While considering implementation of any project, it is incumbent upon the Government to make sure that adequate funds are available for their execution. Financial prudence requires that no project is left incomplete on grounds of non-availability of funds and execution of works should be planned in such a manner that no work is abandoned half way causing idle investment.

Test check in Audit at various parts of the State revealed a pattern of the Government sanctioning more projects than it is in a position to finance. As a result of spreading its limited resources thin, it failed to finance the works till their completion, rendering the expenditure on incomplete works idle or leading to sub-optimal utilisation of the intended facilities. During test check of the records of four⁸ Departments, it was revealed that despite administrative approval and technical sanction of different projects for development of infrastructure consisting of buildings– hospitals, dispensaries, health centres, circuit houses and supply of water, funds were released initially but stopped when the construction was mid-way. The infrastructure was thus left unfit for utilisation for the intended purposes. Such systemic failure caused by spreading the resources too thin over a large number of works led to blockage of funds and also resulted in creation of assets, that can not be put to use. Some of the illustrative cases of this kind of systemic deficiency are reported below:

4.4.1. Scrutiny of records of the Executive Engineer Panchayati Raj Division, Sangrur (XEN) revealed (June 2004) that for execution of 43 works (Community Centres:14, Veterinary Dispensaries:10, Shopping Complex:14 and Subsidiary Health Centres:5) of 14 Focal Point⁹ buildings, funds amounting to Rs 2.46 crore were received (March 1999) by the Additional Deputy Commissioner (Development), Sangrur under Employment Assurance Scheme funded by Central and State Governments in the ratio of 1:1. The amount was deposited with the District Treasury in March 1999 as civil deposits in the name of XEN. The execution of all 43 works was taken up by the XEN in April 1999 and was scheduled to be completed by March 2000. Out of these, 33 incomplete works (Community Centres:11, Veterinary Dispensaries:7, Shopping complex:10 and Subsidiary Health centres:5) were abandoned between April 2000 and July 2003 after incurring an expenditure of Rs 1.66 crore as the balance of requisite funds amounting to Rs 34 lakh for 33

⁸ Rural Development and Panchayats, General Administration, Public Works B&R Branch, Water Supply & Sanitation.

⁹ Focal point represents an area developed to revive and intensify traditional rural industries and trades to facilitate development of cottage and small scale industries and includes facilities like community centre, veterinary hospital, shopping centre and auction platform of common use for more than one village. The 14 buildings were at Chounda, Badalgarh, Bushera, Kattu, Issi, Bhutal Kalan, Saidopur, Phalound khur, Matoi, Kurar, Ubhawal, Jangiana, Balian and Jharaon.

incomplete works was not released. As a result, the expenditure of Rs 1.66 crore was rendered idle, besides denial of intended benefits as envisaged in the development of focal points.

On this being pointed out (June 2004), the Executive Engineer stated (June 2004, March and April 2005) that the matter regarding release of funds was pending with the Finance Department since September 2001 but no funds for these works were released. After stoppage of funds, the buildings were handed over to the concerned village Panchayats as they were. The reply shows that the non-receipt of balance amount for construction forced the Department to abandon the work and the bleak prospect of future funding of the project compelled the Department to hand over the incomplete project to the village Panchayats. Thus, even after spending Rs 1.66 crore on development of focal points, the Department failed to complete the project and failed to develop integrated focal points for facilitating development of traditional village industries.

The matter was referred to the Chief Engineer and the Government in January 2005; reply has not been received (December 2005).

4.4.2. The Secretary, Government of Punjab, General Administration Department (Hospitality Wing) accorded (March 1994) administrative approval for construction of a Circuit House at Ferozepur, at a cost of Rs 1.60 crore (building: Rs 1.13 crore, public health amenities: Rs 20.96 lakh and electric installation: Rs 25.82 lakh).

The scrutiny of records of the Provincial Division, Ferozepur, revealed (September 2004) that the Executive Engineer awarded (April 1995) the work of construction of the building to a contractor to be completed within 10 months, which was extended up to September 2000 as the work could not be commenced in the absence of the decision on structural design by the client Department and the land had not been transferred to the Hospitality Department by the Agriculture Department to which it belonged. However, the work was started under the direction of the Government (Hospitality Wing) in February 1996. After executing the work amounting to Rs 99.53 lakh, the contractor abandoned (September 1999) the work as the Department had failed to pay the dues of the contractor. The contractor requested (August 2003) for closure of agreement on the plea that the balance of the work was stopped by the Division due to non-allocation of funds in the subsequent years. The agreement of work was closed (March 2005) and final payment made to the contractor. The allied works¹⁰ allotted to the other contractors were also not completed due to non-payment of their claims. The non-completion of works, abandoned since December 2001, was attributed to the crisis of funds being faced by the Government. Thus expenditure of Rs 1.29 crore (building portion: Rs 99.53 lakh; electrical installation Rs 12 lakh; public health amenities: Rs 14.02 lakh and miscellaneous expenses: Rs 3.37 lakh) incurred on partial construction of circuit house was rendered idle and the Department had failed to create the intended facility.

¹⁰ Electric installation, public health and supply and fixing of aluminium doors.

On this being pointed out (September 2004), the Executive Engineer Construction Division No. 3 to whom the work was transferred in October-November 2003, stated (June 2005) that the agreement has been closed as per decision of the Hon'ble Court and, though remaining funds amounting to Rs 79.45 lakh were demanded, none had been released by Government (June 2005). Also, the residual work was stated to have not been allotted so far (June 2005). The reply is tantamount to the Department admitting their failure to ensure availability of funds for execution of works before undertaking the construction work. The failure led to idle expenditure of Rs 1.29 crore.

The matter was brought to the notice of Government in February 2005; reply has not been received (December 2005).

4.4.3. Under the scheme of expansion and improvement of Guru Gobind Singh Medical College at Faridkot, the Government accorded administrative approval (January 1997) for construction of Out Patient Department (OPD) Block, consisting of 30 bays in the hospital at a cost of Rs 1.94 crore. The work, intended to be completed in one year, was entrusted to the Public Works Department in January 1997. Scrutiny of records of the Provincial Division, Faridkot revealed (December 2004) that, the work of construction of bay one to bay 10 awarded to a contractor in February 1997, was completed in February 1999 at a cost of Rs 28.15 lakh. The work of construction of bays 11 to 30 was awarded in February 1998 to another contractor and was completed in January 2000 at a cost of Rs 82.94 lakh with a delay of 23 months. However, the remaining work of flooring, joinery, public health amenities, electric installation, furnishing, etc. in bays 11 to 30 was held up (April 2005) due to non-availability of funds since March 2001. In the meantime, a proposal for obtaining revised administrative approval for the revised cost of Rs 2.53 crore was sent by Superintending Engineer, Construction Circle, Faridkot to the Chief Engineer (CE) in November 2004, after a lapse of 58 months, which was still awaited (April 2005). Due to non-completion of these items of works, bays 11 to 30 of the building could not be made functional (March 2005).

On this being pointed out (December 2004) in audit, the Executive Engineer stated (December 2004) that the revised estimate for the remaining work had been submitted to CE in November 2004 and the work was held up due to paucity of funds. The reply did not clarify the reasons for failure to obtain funds since March 2001 when the work had to be stopped due to lack of funds. Department's inaction rendered the expenditure of Rs 82.94 lakh on construction of incomplete bays of the OPD idle and deprived the members of public of full facility of the OPD.

The matter was referred to CE/Government for comments in May 2005; their reply is awaited (December 2005).

4.4.4. During the course of audit of the records of the Executive Engineer, Public Health (RWS) Division, Kapurthala, it was noticed (May 2005) that administrative approval to two schemes 'Ibrahimwal and Jabbowal', block Sultanpur was accorded by the Government (August 1997 and January 1999) at an estimated cost of Rs 1.08 crore. The work of installation of tubewell, construction of overhead service reservoir and pump chamber in respect of the

schemes at Ibrahimwal was awarded in January 1998, January 1999 and October 1999 and that at Jabbowal in April 1999, December 2000 and January 2001, respectively. Further, after incurring an expenditure of Rs 41.60 lakh (Ibrahimwal: Rs 27.19 lakh and Jabbowal: Rs 14.41 lakh) upto March 2003, the works were stopped (March 2003) due to non-availability of funds and the work on the remaining components of both the schemes viz. distribution system, construction of staff quarters etc. had not been taken up (May 2005). As a result, both the schemes remained non-functional. The failure of the Department to make funds available for the schemes and complete the schemes within the stipulated period of two years, rendered the expenditure of Rs 41.60 lakh idle, besides defeating the very objective of scheme for providing potable water to the villages.

On this being pointed out (May 2005), the Executive Engineer admitted (May 2005 and August 2005) that funds though sought through the works programmes for the years 2004-05 and 2005-06 were not provided and the work would be completed on receipt of funds.

The matter was referred to the Government and the Chief Engineer in June 2005; reply has not been received (December 2005).

4.5. Excess payment/avoidable expenditure

GENERAL ADMINISTRATION DEPARTMENT

4.5.1. Excess payment to Pepsu Road Transport Corporation

Non-verification of claim with reference to actual strength of freedom fighters resulted in excess payment of Rs 1.99 crore to PRTC

The Punjab Government granted (December 1988 and July 1996) free travel facility to the freedom fighters of the State on all the buses of the Pepsu Road Transport Corporation (PRTC), inside and outside the State without any restriction on the number of kilometers they travel in a year. It was also decided that all the freedom fighters of the age of 65 years or above and the widows of the freedom fighters were entitled to take with them an attendant free of cost. It was further decided (June 1998) that reimbursement of loss on this account was to be made by making provisions in the budget by the General Administrative Department. The Department was made (September 2002) responsible for verifying the claims lodged by PRTC.

It was noticed (October 2004) during audit that PRTC preferred (September 2002 & December 2003) a claim of Rs 3.75 crore for the years 2001-02 to 2003-04 prepared as per the formula adopted by the Department. The PRTC had adopted the figure of 8500 freedom fighters while computing their claim as per the formula. Without verifying the correctness of the claim submitted by PRTC, the amount of Rs 3.75 crore was paid by the Department in March 2003 (Rs 2.46 crore), December 2003 (Rs 66 lakh) and March 2004 (Rs 63 lakh) whereas the claim of PRTC calculated as per actual number of freedom fighters worked out to Rs 1.76 crore (Rs 65.57 lakh: 2001-02, Rs 53.78 lakh: 2002-03

and Rs 56.66 lakh: 2003-04). Thus, failure of the Department to verify the correctness of the claim of PRTC resulted in excess payment of Rs 1.99 crore (Rs 3.75 crore – Rs 1.76 crore).

On the matter having been brought (October 2004 & January 2005) to their notice, the Government while admitting the facts, intimated (February 2005 & March 2005) that no further payments would be made to PRTC till the amount paid in excess was adjusted in future claims. However, no excess payment had been adjusted upto May 2005.

HOME DEPARTMENT

4.5.2. Omission in agreement resulting in avoidable expenditure

Uncertain terms in the agreement executed by the Department led to delay in receiving payment; as a result, Rs 30 lakh had to be paid as interest on borrowed funds

Financial rules of the State Government provide that the terms and conditions in the agreements signed on behalf of the Government should be precise and definite and there must be no room for ambiguity or misconstruction therein.

The Additional Director General of Police-cum-Commandant General Home Guards (Department) entered (March 2001) into a contract with the Food Corporation of India (FCI) for deployment of Home Guard volunteers with FCI for safeguarding their depots and stores. The expenditure on their wages paid by the Department would be reimbursed by FCI. No time limit for raising of bills by the Department to FCI or payment of the bills by FCI was prescribed in the agreement. The Department, however, requested the FCI late in June 2004 to arrange reimbursement of claims within a week from the date of receipt of the claims.

Scrutiny (December 2004) of the records of District Commander, Home Guards, Ferozepur (DCHG) revealed that, instead of raising monthly bills, claims for reimbursement of Rs 2.74 crore pertaining to the period from January 2001 to October 2004, were submitted by the DCHG with delays ranging from two to 19 months. Out of this amount, Rs 2.69 crore were reimbursed late by one to four months by the FCI and the remaining amount was yet (July 2005) to be received. Failure of the Department to raise bills for reimbursement on monthly basis immediately after making payment to Home Guard volunteers inflicted on the State Government an extra financial burden of Rs 30 lakh as interest on borrowings (calculated at the borrowing rate after allowing a collection period of one full month from the month of payment made to Home Guards) from March 2001 to February 2005.

On this being pointed out (December 2004), while admitting the lapse, the DCHG stated (July, 2005) that the FCI had since agreed to pay interest @ 12 *per cent* per annum for delay in payment, beyond seven days from the date of receipt of bill and an interest clause to this effect was also being included in the new agreement. The reply underscored the earlier omission to include an

interest clause; besides, the reply did not indicate any corrective measures taken by the Department to eliminate the delay in preferring the claim.

The matter was referred to Government (March 2005); no reply has been received (December 2005).

4.6. Unauthorised expenditure

EDUCATION DEPARTMENT

4.6.1. Unauthorised expenditure from receipts retained outside Treasury

Examination fees amounting to Rs 3.89 crore collected from 5th Class students was kept outside treasury and utilised for departmental expenditure in violation of Financial Rules; records relating to such expenditure were not produced for audit

Financial rules provide that departmental receipts collected have to be credited into the treasury on the same day or the morning of the next day.

An audit observation was raised (May 2002) that Rs 1.75 crore collected as examination fees from students of 5th class for conducting annual examination during September 2001 to November 2001 were not deposited in treasury but kept in savings bank by five¹¹ District Education Officers (Elementary) (DEO) and the record of expenditure out of the same (which was unauthorised) were not produced to audit, Finance Department, while admitting the facts, issued (November 2002) instructions to the Education Department that all such receipts are required to be credited to treasury and all the connected records should be produced to audit. The Administrative Secretary (Education Department) also asked (November 2002) the Director Public Instructions (E) and the DEOs to stop the collection of fees forthwith, deposit the already collected amount of Rs 1.75 crore into treasury and produce all related records to audit.

Test check (August 2002 to April 2004) revealed that in seven¹² DEO offices (including two¹³ earlier checked), instead of depositing the already collected amount, further amounts aggregating Rs 2.14 crore were collected as examination fees between 2001-02 and 2003-04 and the entire amount of Rs 3.89 crore was retained irregularly outside the Government Account. The records relating to collection of the above amount and expenditure out of this sum were not produced to audit by DEOs in spite of the instructions issued (November 2002) by Finance Department.

The matter was referred to Government (May 2005); reply has not been received (December 2005).

¹¹ Kapurthala, Patiala, Fatehgarh Sahib, Nawanshahar and Jalandhar.

¹² Amritsar, Bhatinda, Fatehgarh Sahib, Hoshiarpur, Muktsar, Moga and Nawanshahar.

¹³ Fatehgarh Sahib (September 2001) and Nawanshahar (October 2001).

4.7. Others points

HEALTH AND FAMILY WELFARE DEPARTMENT

4.7.1. Forfeiture of central assistance of Rs 7.17 crore

Failure of the Department to ensure implementation of its own scheme of establishment of four diagnostic centres in the State resulted in forfeiture of central assistance of Rs 7.17 crore besides denial of the intended benefit to the public

In pursuance of the recommendations of the Eleventh Finance Commission, the State Government formulated (December 2000) a scheme for the establishment of four regional diagnostic centres, one each in the hospitals attached to the medical colleges at Amritsar, Faridkot and Patiala and the fourth at the Civil Hospital, Ferozepur. The scheme was to be implemented during the period 2000-05. The Central Government allocated a grant of Rs 12 crore in 2000-01 to be released during this period, depending upon the extent of utilisation of the instalments of grant already released. The unutilised grant as on 31 March 2005 was to lapse.

Audit scrutiny (April 2005) of the records of the office of Director, Research and Medical Education (DRME) and information collected (June 2005) from the Director Health & Family Welfare (DHS) revealed that out of the grant of Rs 4.83 crore received from the Central Government during 2000-02, the State Government had sanctioned (December 2001) Rs 3.62 crore for establishment of three regional diagnostic centres to be set up at Amritsar, Faridkot and Patiala and Rs 1.21 crore for establishment of the fourth centre at Ferozepur. Out of Rs 3.62 crore, only an amount of Rs 1.49 crore was spent during the period 2003-05 by the DRME, leaving Rs 2.13 crore unutilised, despite revalidation of the sanction from year to year up to March 2005. Similarly, out of Rs 1.21 crore, DHS spent Rs 85.11 lakh upto March 2005. The balance of Rs 35.53 lakh was lying in a bank account at Chandigarh maintained by the Punjab Health System Corporation.

The failure to ensure procurement in a time bound manner, despite being aware that such failure would result in forfeiture of Central Government funds, resulted in denial of funds to the extent of Rs 7.17 crore to the State Government. The failure also denied the public the benefit of fully equipped diagnostic centres in four regions of the State. Admitting the audit observation (April 2005), the Department stated (July 2005) that the grant in aid could not be utilised for establishment of diagnostic centres due to lengthy procedures of purchase of imported machinery through the Controller of Stores, non-release of balance of the grant by the Central Government and non-clearance of bills by the treasury.

Thus, the delay in completion of the process of procurement led to non-establishment of diagnostic centres within the allotted time and forfeiture of financial assistance of the order of Rs 7.17 crore from the Central Government.

AGRICULTURE DEPARTMENT

4.7.2. Failure to utilise research and development funds

Failure of Punjab Agriculture University to implement a scheme of research and development deprived the agriculturists of the intended benefits apart from locking up Government funds

Punjab Agriculture University (PAU) made a request (September 1998) to the Chief Minister, Punjab, for a grant of Rs two crore to enable them to prepare a comprehensive plan for a research and development scheme with the objective of diversifying and maximising profit of Punjab farmers. The scheme envisaged imparting training to the faculty of PAU in India or abroad for three to 12 months in bio-technology, post-harvest technology, purchase of equipment and import of seeds and plants required for research and development work. The Punjab Rural Development Board (PRDB) at the instance of Government sanctioned and released (October 1998) a sum of Rs two crore to PAU. Of this, a revolving fund of Rs 20 lakh was to be maintained for meeting contingent expenditure on the scheme. Neither any project report was prepared and forwarded to Government or PRDB nor any schedule of implementation was mentioned in the sanction.

Test check of records of the PAU (March 2005) revealed that out of Rs two crore, PAU had transferred Rs 20 lakh to a revolving fund and kept the balance of Rs 1.80 crore in fixed deposits in banks since November 1998. Thereafter, neither any action plan was prepared by PAU to utilise the principal amount for achievement of the objectives specified in the request of PAU nor did the Board or the Government ever ask for the progress made under the scheme. An amount of Rs 59.02¹⁴ lakh out of the interest accrued on the grant was utilised on training (held in June-September 2003) of three faculty members (Rs 33.08 lakh) and purchase of equipment etc. (Rs 25.94 lakh) between 1998-99 and 2004-05. The unutilised amount of Rs 2.09 crore (inclusive of interest) was lying in fixed deposits as of March 2005. This indicated the failure of PAU to prepare a plan for arranging training to faculty members and purchasing equipment. Their inaction also resulted in blocking of Government funds and failure in fulfilling the objectives of the scheme and depriving farmers of the intended benefits of research and development. The release of funds by the Department without obtaining any project report highlighting utilisation and the purpose to be achieved from the release of funds also reflects upon the system of financial management in the Department.

The matter was referred to Government (April 2005), their reply is awaited (December 2005).

¹⁴ 1998-99 (Rs 5.30 lakh), 1999-2000 (Rs 1.25 lakh), 2000-01 (Rs 8.40 lakh), 2001-02 (Rs 2.26 lakh), 2002-03 (Rs 23.68 lakh), 2003-04 (Rs 15.69 lakh) and 2004-05 (Rs 2.44 lakh).

4.8. GENERAL

4.8.1. Follow-up on Audit Reports/ outstanding action taken notes

The Comptroller and Auditor General of India's Audit Reports represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in the various offices and Departments of Government. It is, therefore, necessary that they elicit appropriate and timely response from the executive. At the instance of the Public Accounts Committee (PAC), Finance Department issued (August 1992) instructions to all the Departments to initiate *suo moto* positive and concrete action on all paragraphs and reviews figuring in the Audit Reports irrespective of whether the cases were taken up for examination by PAC or not. The Departments were also required to furnish to PAC detailed Action Taken Notes (ATNs), duly vetted by Audit, indicating the remedial action taken or proposed to be taken by them within a period of three months of the presentation of the Reports to the State Legislature. But as per existing practice, ATNs are not sent to this office for vetting before submission to PAC.

Audit Reports

Out of 325 paragraphs and reviews included in the Audit Reports relating to the period 1995-96 to 2002-03, which had already been laid before the State Legislature, ATNs in respect of 73 paragraphs and reviews as detailed below had not been received in the Audit Office as of June 2005, even after the lapse of the prescribed period of three months: -

Year of the Audit Report (Civil)	Total Paragraphs/ Reviews in Audit Report	No. of Paragraphs/ Reviews for which ATNs were not received
1995-96	47	1
1996-97	56	4
1997-98	37	2
1998-99	48	3
1999-2000	44	8
2000-01	33	13
2001-02	31	13
2002-03	29	29
Total	325	73

Department-wise analysis is given in the *Appendix-XXVI & XXVII*. Departments largely responsible for non-submission of ATNs were Public Works, Education, and Health and Family Welfare. Government did not respond even to reviews containing important issues such as system failures, mismanagement and misappropriation of Government money. Such non-receipt of ATNs hampered the work of PAC.