# CHAPTER-III

# PERFORMANCE AUDIT

This chapter presents three performance audits on Working of Irrigation Department, Central Road Fund for Development of State Roads in Punjab and Information Technology Audit of Integrated Treasury Information System of Punjab and two long paragraphs on Cattle and Buffalo Development Programme and Nutrition Programme under Integrated Child Development Services Scheme and other schemes.

## 3.1 Working of Irrigation Department

**IRRIGATION DEPARTMENT**

***Highlights***

***Performance audit of working of Irrigation Department disclosed cases of defective planning and programme management besides over exploitation of underground water. There were cases of delay in release of funds, administrative approvals accorded without ensuring pre-requisites and construction of new channels without ensuring availability of water. Non-tapping the hydro potential led to loss of power generation. Non-imparting of training resulted in idle establishment and infrastructure.***

- ***Nine projects estimated to cost Rs 387.91 crore approved in annual plans were not implemented but three schemes not included in the annual plans were executed at a cost of Rs 61.13 crore.***

***(Paragraph 3.1.7.3)***

- ***Outsourcing of a work despite availability of qualified staff resulted in avoidable expenditure of Rs 1.23 crore.***

***(Paragraph 3.1.7.4)***

- ***Over drafting of ground water rendered 103 blocks over-exploited, five blocks critical and four blocks semi critical, leaving only 25 blocks safe.***

***(Paragraph 3.1.8.2)***

- ***Delay in taking up complementary works resulted in increase of estimated cost by Rs 749.48 crore.***

***(Paragraphs 3.1.9.1& 3.1.9.2)***

- ***Failure to complete schemes and restore electricity to completed schemes resulted in unfruitful expenditure of Rs 1.68 crore.***

***(Paragraph 3.1.9.6)***

- ***Short utilization of departmental machinery resulted in unproductive expenditure of Rs 13.30 crore on establishment and crew and non-inclusion of crew charges in the operational cost of machinery resulted in non-recovery of Rs 3.43 crore from client Department/agency.***

***(Paragraph 3.1.10.2 & 3.1.10.3)***

- ***Failure of the Divisional Canal Officers to monitor recovery of penalty imposed in tawan cases resulted in non-realization of Rs 66.92 lakh.***

***(Paragraph 3.1.12.1)***

### *3.1.1 Introduction*

The State of Punjab has primarily an agrarian economy; therefore water resources and irrigation are central to it. The total geographical area of the State is 50.36 lakh hectares with irrigable area of 42 lakh hectares. There are seven[1] canal systems designed for culturable command area (CCA) of 30.88 lakh hectares. The Department of Irrigation is responsible for maintenance of canals, drains and dams, execution of flood protection and water-logging works and river projects.

### *3.1.2 Organizational set-up*

Principal Secretary Irrigation and Power (Administrative Secretary) is the overall in-charge of the Department assisted by 12 Chief Engineers (CEs). In the field, the execution and research works are executed through 210 Executive Engineers (EE) under the supervision of 54 Superintending Engineers (SE) or equivalent officers. The Director, Irrigation and Power Research Institute (DIPR); Director, Punjab Irrigation Management Training Institute (PIMTI) and CE, Vigilance and Quality Control (CE (V)) are responsible for research, training and quality control activities respectively.

### *3.1.3 Audit objectives*

The main objectives of the performance audit are to assess whether:

- budget estimates were prepared realistically and provisions made in approved five year/annual plans were adhered to;
- the sanctions to the project estimates were accorded timely and funds provided to avoid time and cost overrun;
- projects being executed by the Department were planned properly to achieve intended benefits optimally and
- available manpower was utilized optimally and training, research and vigilance control activities were performed efficiently.

[1] **Sirhind Canal System, Sirhind Feeder System, Eastern Canal System, U.B.D.C. System, Bhakra Canal System, Bist Doab System and Shah Nehar System.**

### 3.1.4 Audit criteria

Provisions laid down in Punjab Public Works Department Code, Irrigation Manual of Orders (IMO), Punjab Financial Rules and instructions/guidelines of Central Design Organization (CDO), Central Water Commission (CWC), Vigilance and Quality Control wing were used as audit criteria.

### 3.1.5 Scope of Audit and Methodology

The records of Administrative Secretary, five CEs out of 12 and 21 EEs out of 83 implementing units of the Department pertaining to the period 2000-07 were test checked between September 2006 and March 2007. The selection of units was made by adopting systematic sampling technique. Documentary evidence was gathered and analyzed to arrive at the results of audit.

### 3.1.6 Financial management

The State Government provides funds to the Department for construction, improvement and maintenance of works through the annual budget. Within the Department, the CE regulates funds through Letter of Credit (LOC) issued to various units. Government of India (GOI) provided (2002-07) Rs 159.64 crore as Central Loan Assistance (CLA) on sharing pattern[2] under Accelerated Irrigation Benefit Programme (AIBP). The State Government also borrowed Rs 154.61 crore during 2002-07 from National Bank of Agriculture and Rural Development (NABARD) on loan.

The budget provision and expenditure incurred during 2002-07 were as under:

**(Rupees in crore)**

| Year | Budget allotment | | | Expenditure | | | Excess(+) / Saving(-) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Non-plan | Plan | Total | Non-plan | Plan | Total | Non-plan | Plan | Total |
| 2002-03 | 557.89 | 292.83 | 850.72 | 431.06 | 409.95 | 841.01 | (-)126.83 | (+)117.12 | (-)9.71 |
| 2003-04 | 573.02 | 194.41 | 767.43 | 582.08 | 108.75 | 690.83 | (+)9.06 | (-)85.66 | (-)76.60 |
| 2004-05 | 543.82 | 315.25 | 859.07 | 476.83 | 251.51 | 728.34 | (-)66.99 | (-)63.74 | (-)130.73 |
| 2005-06 | 629.90 | 359.04 | 988.94 | 628.29 | 359.39 | 987.68 | (-)1.61 | (+)0.35 | (-)1.26 |
| 2006-07 | 603.10 | 420.47 | 1023.57 | 548.45 | 409.74 | 958.19 | (-)54.65 | (-)10.73 | (-)65.38 |
| **Total** | **2907.73** | **1582.00** | **4489.73** | **2666.71** | **1539.34** | **4206.05** | **(-)241.02** | **(-)42.66** | **(-)283.68** |

**Source: Chief Engineer, Punjab Irrigation Department**

Excess expenditure (Rs 117.12 crore) under plan schemes during the year 2002-03 was due to the booking of expenditure of non-plan schemes to plan schemes.

#### 3.1.6.1 Variation in budget demand and actual expenditure

Punjab Budget Manual (Manual) stipulates that the Budget Estimates (BEs) for the ensuing year should be based on average expenditure for six months of preceding year and actual expenditure of first six months of current year to make the budget estimate realistic.

[2] **In the ratio of 2:1 by GOI and State Government respectively.**

**There was a big difference between budget demanded and budget provided**

Test check of records of six[3] divisions, disclosed that during 2002-07, the budget was not demanded keeping in view above provisions. Against a budget demand of Rs 624.82 crore, Rs 106.88 crore were provided and expenditure of Rs 106.15 crore was incurred which was 16.99 *per cent* of the budget demanded. Thus, there was a big difference between the budget asked and the budget provided (money spent).

### *3.1.6.2 Pending collection of abiana*

Northern Indian Canal and Drainage Act, 1873 empowered the Department to levy *abiana* which is to be collected by the Revenue Department.

**Non-recovery of *abiana* of Rs 168.95 crore**

Government instructed (May 2002) the Department to collect *abiana* through Drawing and Disbursing Officers (DDOs) of Irrigation Department instead through the Revenue Department. The Department reverted (January 2006) to the original prescribed procedure as the Irrigation Department DDOs failed to collect the revenue. The Department collected only Rs 23.70 crore against the due *abiana* of Rs 192.65 crore during 2002-06. Thus, revenue of Rs 168.95 crore remained unrecovered (December 2006).

The matter was referred (May 2007) to the Government, reply has not been received (June 2007).

### *3.1.6.3 Outstanding miscellaneous public works advances*

The financial rules[4] prescribe that any amount kept under Miscellaneous Public Works Advances (MPWA) is required to be cleared urgently either by actual recovery or by transfer to concerned head of account under proper sanction of the competent authority.

**Department could not recover/adjust Rs 2.77 crore outstanding under MPWA since 1962-63**

Audit scrutiny disclosed that in nine[5] divisions, Rs 2.77[6] crore pertaining to the period 1962-63 to 2006-07 was due from officials whose whereabouts were not known to the Department (Rs 5.47 lakh), officials who had since expired/ retired (Rs 14.19 lakh), officers/ officials spent government money without sanctioning of estimates and approval of rates (Rs 61.59 lakh), suppliers and other divisions (Rs 35.81 lakh) and LAO for not supplying payment vouchers (Rs 71.75 lakh) besides Rs 88.00 lakh on account of petty items.

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[3] **Bathinda Canal Division, Bathinda, Drainage Construction Division, Ferozepur; Drainage Division, Hoshiarpur; Eastern Division, Ferozepur; Investigation Division(J) Hoshiarpur and Janauri Chohal Division, Hoshiarpur;.**

[4] **Rule 5.13 to 5.15 of Departmental Financial Rules (DFR) and Article 54 to 57 of Account Code Vol. III.**

[5] **Bathinda Canal Division, Bathinda, Devigarh Division (IB) Patiala, Eastern Canal Division, Ferozepur, Hoshiarpur Drainage Division, Hoshiarpur, Investigation Division (J), Hoshiarpur, Janauri Chohal Const. Division, Hoshiarpur, Madhopur UBDC,Gurdaspur, Shah Nehar Headworks Division, Talwara, Mansa Drainage Division, Mansa.**

[6] **Outstanding for more than 10 years (584 items) Rs 1.17 crore; more than five years but less than 10 years (46 items) Rs 1.07 crore; more than two years but less than five years (14 items) Rs 0.21 crore; more than one year but less than two years (17 items) Rs 0.30 crore and upto one year (4 items) Rs 0.02 crore.**

### 3.1.6.4 Non-deposit of sales tax and income tax

**Non-deposit of sales tax and income tax amounting to Rs 2.49 crore deducted from contractors**

In three[7] divisions, sales tax and income tax amounting to Rs 1.07 crore and Rs 1.42 crore respectively deducted from contractual agencies during 2002-07 was not deposited into the final receipt head of account of the Government.

On being pointed out (November 2006), EEs while admitting the facts assured to deposit amount of tax shortly. Further developments were awaited in audit (July 2007).

### 3.1.7 Planning

### 3.1.7.1 Project not started

Bhakra Main Line (BML) is a common carrier channel (discharge 12455 cusecs) for Bhakra Beas Management Board's (BBMB) partner States[8]. For any addition/alteration to common channel, concurrence of the partner States of BBMB is required[9].

**Non-installation of Mini Hydel Projects on Bhakra Main Line deprived the State of 68.84 million units of power per annum**

Scrutiny of records (May 2006) of EE, BML Division, Patiala disclosed that Department identified (September 2001) 20 falls on BML to generate electricity by installing Mini-Hydro Project (MHP) on Build, Operate and Own (BOO) mode wholly for their own consumption. It being a common channel, the partner States did not agree to the proposal.

BBMB, however, proposed (May 2002) to tap three[10] major falls in the first phase for installation of MHPs at an estimated cost of Rs 106.64 crore for construction within a period of 15 months. The cost and benefits were proposed to be shared[11] amongst the partner States of BBMB as per existing pattern. Punjab did not accept the proposal though other partner States agreed. Thus, proposed generation of electricity (18.07MW) could not be taken up, depriving the State of its potential share of 68.84 million units[12] per annum**.**

In response to audit, the EE stated (May 2006) that the matter has been referred to higher authorities. The BBMB decided (May 2007) to request Ministry of Power, GOI to take up the matter with the Chief Minister, Punjab. However, further progress has not been reported so far (July 2007).

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[7] **Bathinda Canal Division, Bathinda, Drainage Construction Division, Ferozepur and Eastern Canal Division, Ferozepur.**

[8] **In terms of article 1(9) of Bhakra Nangal Agreement, 1959 Punjab, Haryana and Rajasthan are the partner States.**

[9] **As per article 13 of Bhakra Nangal Agreement, 1959.**

[10] **Thablan at RD 100400 (7.44 MW), Saunda at RD 158230 (5.10 MW) and Chanarthal at RD 192425 (5.53 MW).**

[11] **15.22 *per cent* of total generation to Rajasthan, remaining 84.78 *per cent* amongst Punjab (54.5 *per cent*), Haryana (39.5 *per cent*), Himachal Pradesh (2.5 *per cent*) and Chandigarh (3.5 *per cent*).**

[12] **Rajasthan @ 15.22 *per cent* (22.68 MU), Punjab @ 54.5 *per cent* of 126.32 (68.84MU), Haryana @ 39.5 *per cent* of 126.32 (49.90 MU), Himachal Pradesh @ 2.5 *per cent* of 126.32 (3.16 MU) and Chandigarh @ 3.5 *per cent* of 126.32 (4.42 MU).**

### *3.1.7.2 Defective project preparation*

The Department submitted (October 2004) a project estimate of Rs 28.64 crore to NABARD for loan assistance for lining of Ladhuke Distributory System off taking at RD 4500 of parent channel i.e. Jallalabad Branch without ensuring designed discharge in the parent channel. NABARD pointed out (February 2005) that the parent channel needed de-silting and clearance of weeds, etc. to feed Ladhuke Distributory System at proper discharge.

**Inadequate survey and incorrect preparation of project delayed sanction of loan assistance for two years leading to an increase in estimated cost of the project**

CE (Lining) assured (March 2005) that clearance and desilting of Jallalabad branch will be got done with State funds in due course. The Government forwarded (March 2005) revised project estimate costing Rs 31.82 crore for loan assistance. NABARD, however, returned (November 2005) the project as cost of various components was incorrectly worked out to Rs 32.08 crore instead of Rs 31.82 crore. Revised project estimate submitted (April 2006) by the Department was sanctioned (June 2006) at an increased cost of Rs 40.91 crore.

Omission of Department to submit the project to NABARD without verifying water as per designed discharge coupled with mistakes in calculation of cost not only delayed the project by more than two years but also resulted in increase in estimated cost the project.

CE admitted (February 2007) the facts.

### *3.1.7.3 Change in areas of execution*

**Nine schemes of Rs 387.91 crore, included in five year plan were not implemented; while three schemes not included in the five year plan were executed**

Of the 31 schemes/projects included in the 10$^{th}$ five year plan during 2002-07, nine schemes/projects involving an outlay of Rs 387.91 crore were not implemented by the Department depriving the State of additional irrigation potential of 3.27 lakh hectares. While three other schemes/ projects, involving additional irrigation potential of 0.15 lakh hectare neither included in the annual plans nor approved by Government at the time of approving 10$^{th}$ five year plan were implemented by incurring an expenditure of Rs 61.13 crore. Thus, the very purpose of planning was defeated.

On being pointed out (October 2006), CE admitted (November 2006) the facts.

### *3.1.7.4 Unjustified expenditure on outsourcing*

The Planning Commission approved the Detailed Project Report (DPR) of the Shahpur Kandi Dam (SPKD) for Rs 1,038.22 crore at the price levels of 1995. The project reports for SPKD were being prepared and updated departmentally. The Government entered (January 2005) into an Memorandum of Understanding (MoU) for Rs 1.39 crore with National Hydro Power Corporation (NHPC) to review and update the DPR which had been cleared by the Planning Commission. At the same time, the Department also undertook a review of the same approved DPR.

**Outsourcing updation of Detailed Project Report despite availability of qualified staff and then rejecting the consultants report resulted in avoidable expenditure of Rs 1.23 crore**

As per MoU, 50 *per cent* of total cost was to be paid at the time of signing of MoU, 30 *per cent* of the total cost was to be paid within 15 days of submission of review report and balance 20 *per cent* within 15 days of submission of updated DPR by NHPC.

It was observed that for this work, Rs 1.23 crore (Rs 1.12 crore + service tax: Rs 0.11 crore) was paid to NHPC during February-September 2005 being 80 *per cent* of the total cost. The Department rejected the DPR prepared by NHPC as it was formed uneconomical. Against a cost of Rs 2,368.78 crore projected by NHPC, the Department itself had worked out the cost as Rs 1,945.00 crore at the same price level (September 2005). The remaining 20 *per cent* payment was withheld and the report was also not adopted.

Decision of the Department for outsourcing work of DPR inspite of available in-house expertise put avoidable financial burden of Rs 1.23 crore on State exchequer besides creating liability of Rs 0.27 crore (Rs 1.39 crore–Rs 1.12 crore).

### *3.1.8 Environmental aspect*

The total geographical area of the State is 50.36 lakh hectares with irrigable area of 42 lakh hectares. The existing canal irrigation system is designed for CCA of 30.88[13] lakh hectares.

The details of area irrigated by canals and tubewells are given below:

| Year | Total Geo-graphical area | Net Area sown *(percentage to total area)* | Net irrigated area *(percentage to area sown)* | Irrigation by canals *(percentage to irrigated area)* | Irrigation by tube wells and wells *(percentage to irrigated area)* | Irrigation by other means *(percentage to irrigated area)* | No. of tube wells *(No. in lakh)* | Length of canals *(in Kms)* |
|---|---|---|---|---|---|---|---|---|
| 2002-03 | 50.36 | 42.24 *(84)* | 40.35 *(84)* | 11.48 *(28.45)* | 28.80 *(71.38)* | 0.07 *(0.17)* | 11.33 | 13614 |
| 2003-04 | 50.36 | 42.01 *(83)* | 40.28 *(83)* | 11.29 *(28.03)* | 28.89 *(71.72)* | 0.10 *(0.25)* | 11.44 | NA |
| 2004-05 | 50.36 | 42.00 *(83)* | 40.35 *(83)* | 11.01 *(27.28)* | 29.19 *(72.34)* | 0.15 *(0.38)* | 11.68 | 14500 |

***Source: Statistical Abstract compiled by Economic Advisor to GOP***

**Predominance of tubewells over canal for irrigation and increase in installation of tubewells resulted in over exploitation of ground water**

Though total length of canals increased from 13614 kilometers to 14500 kilometers during 2002-05 but there was continuous decrease in area irrigated by canals from 11.48 lakh hectares to 11.01 lakh hectares owing to *warabandi*[14], disputes among farmers and tubewell irrigation being a more convenient option over canal irrigation.

**13 Sirhind Canal System: 13.59; Sirhind Feeder System: 3.60; Eastern Canal System: 2.16; U.B.D.C. System: 5.73; Bhakra Canal System: 3.81; Bist Doab System: 1.99 and Shah Nehar System.**

**14 The schedule for irrigation through canals prepared by the Department in consultation with the beneficiaries.**

The decrease in area irrigated by canals during 2002-05 was taken over by the installation of 35000 new tubewells as area irrigated by tubewells increased from 28.80 lakh hectares to 29.19 lakh hectares during this period. Preference for tubewells over canal irrigation, among other factors, was mainly due to non-existence of regulations to check installation of tubewells, its independent use and ready availability of ground water.

### *3.1.8.1 Non-monitoring of ground water*

To monitor the ground water, a project "Ground water investigation and integrated utilization of water resources in the Punjab State" was taken up in 1971 estimated at Rs 1.80 crore to be completed by 1975, which provided for research and development activities relating to ground water. 62 exploratory bores (E-bores) were to be installed for examination of deep-water aquifers to assess the scope and limitation of water resources and problems that may arise out of over-exploitation of ground water resources. Subsequently the project was revised thrice and as per the latest administrative approval (January 2006) the estimated cost of the project has increased to Rs 98.63 crore. However, even after a lapse of more than thirty years only 32 E-bores were installed and work on two bores was in hand (November 2006). This defeated the purpose of the project.

### *3.1.8.2 Over exploitation of ground water*

Total area irrigated by canals constituted 28 *per cent* only of the total area sown in Punjab, whereas area irrigated by tubewells was 72 *per cent*. The number of tubewells increased from 1.92 lakh (1971) to 11.68 lakh (2005). As per latest report of 2007[15], during 2003-04, 31.16 lakh hectare meter of underground water was drafted against the recharge of 23.78 lakh hectare meter resulting in over exploitation of underground water by 7.38 lakh hectare meter.

Due to unchecked drafting during 1984-2004, number of overexploited blocks increased from 53 (1984) to 103 (2004) with time, as detailed below:

| Sr. No. | Category of Blocks | 1984 | 1986 | 1989 | 1992 | 1999 | 2004 |
|---|---|---|---|---|---|---|---|
| **1** | Overexploited | 53 | 55 | 62 | 63 | 73 | 103 |
| **2** | Critical | 7 | 9 | 7 | 7 | 11 | 5 |
| **3** | Semi-critical | 22 | 18 | 20 | 15 | 16 | 4 |
| **4** | Safe | 36 | 36 | 29 | 33 | 38 | 25 |
| | **Total[16]** | **118** | **118** | **118** | **118** | **138** | **137** |

Thus, over exploitation of ground water led to continuous fall of ground water table in the State rendering 103 blocks overexploited, five blocks critical and four blocks semi critical leaving only 25 blocks (18 *per cent*) in the safe category.

**15 Report on Dynamic Ground Water Resources of Punjab State (As on March 2004).**
**16 Change in total number of blocks is due to reorganisation.**

In the absence of a system to monitor and scientifically regulate the use of ground water, there is a trend towards over exploitation of ground water in most blocks.

In reply, the Director, Water Resources and Environment Directorate, Chandigarh while admitting (July 2007) the facts attributed the problem of over exploitation to diverse aspects including limited share of surface water, cropping pattern of wheat and paddy, adoption of high yield variety of crops, pollution and contamination of surface water besides its easy availability and uncontrolled use. As regards non-completion of installation of E-bores, the Executive Engineer, Water Resources Investigation Division, Chandigarh attributed it to paucity of funds.

### *3.1.9 Execution of works*

#### *3.1.9.1 Under utilisation of irrigation potential due to non-completion of project*

Kandi[17] Canal, having a length of 130 kms, (discharge of 500 cusecs), off-taking from Mukerian Hydel Channel at RD 5575M/L was proposed to be constructed in two[18] stages which were complementary to each other. Stage-I including irrigation system designed for 22594 hectare was completed in 1998 at a cost of Rs 109.92 crore.

**Delay in taking up of Kandi canal stage-II resulted in increase in cost of canal by Rs 128.48 crore and short utilization of stage-I irrigation potential**

The State Government accorded administrative approval to Kandi Canal Stage-II for extending irrigation facility to 29527 hectare in July 1998. As of March 2007, only 25 Kms of canal against total length of 70.50 Kms was constructed after incurring total expenditure of Rs 52.26 crore.

Due to non-completion of Stage-II of the canal, against designed discharge of 500 cusecs only 242 cusecs could be released in already constructed Stage-I leading to creation of irrigation potential of 15695 hectare against envisaged 22594 hectare. Further, even the created potential was irrigated to the extent of 35.51 *per cent* only, as during 2002-06 against created potential of 62780 hectares (15695x4) only 22294 hectare were actually irrigated.

Further, the cost of the Stage-II also increased by Rs 128.48 crore from Rs 147.13 crore (May 1997) to Rs 275.61 crore (January 2007). Due to coverage of lesser area under irrigation the projected potential increase in crop production of Rs 384.89 crore could not be achieved.

On being pointed out (January 2007), Executive Engineers concerned admitted the facts.

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**[17] Sub mountainous area i.e Shivalik foothills.**

**[18] Stage-I: 0 to 59.5 kms. up to Hoshiarpur and Stage-II: 59.5 to 130 kms. from Hoshiarpur to Balachour.**

### *3.1.9.2 Slow progress in construction of dam*

Shahpur Kandi Dam (SPKD) was to act as a balancing reservoir for the discharge from Ranjit Sagar Dam (RSD) to the existing Upper Bari Doab Canal (UBDC) system. It was also to generate 1042.92 million units of electricity per annum and create additional irrigation potential of 5000 hectares in Punjab. The completion of SPKD was required to be completed with RSD by March 2001. The total cost of the project (Rs 1,324 crore) was to be shared between GOI and Punjab in the ratio of 2:1.

**Delay in completion of Shahpur Kandi Dam led to delay in creation of irrigation potential and power generation potential**

GOI released CLA of Rs 16.16 crore during 2002-03. The State Government released this along with its share of Rs 8.08 crore after three years during 2006-07. Therefore, GOI did not provide CLA between 2003 and 2007 so the project also remained incomplete even after incurring an expenditure of Rs 80.27 crore (March 2007). The cost was revised to Rs 1,945 crore (September 2005 price level). Thus due to slow progress of work the aim of generating 6257.52 million units of power and creating irrigation potential of 5000 hectares could not be achieved.

On being pointed out (May 2007), CE SPKD attributed (May 2007) the reasons to paucity of funds.

### *3.1.9.3 Additional liability due to short release of state share*

With the construction of Mukerian Hydel Channel and Shah Nehar Barrage on Beas, existing *Kuhls* irrigation system off-taking from river Beas irrigating 3465 hectares area falling in the Himachal Pradesh (HP) became inoperative. To provide irrigation facilities to 3465 hectares and additional 11822 hectares of potentially irrigable area, the Government executed (August 1983) an agreement with HP. As per agreement, HP accorded administrative approval (June 1997) to the project titled “Irrigation to HP below Talwara” costing Rs 143.32 crore which was to be shared between Punjab and HP in proportions of 61.74 *per cent* (Rs 88.49 crore) and 38.26 *per cent* (Rs 54.83 crore).

**Short-release of State share in a joint project resulted in additional liability of Rs 86.45 crore**

Scrutiny of the records (March 2007) of the EE, Shah Nehar Headworks Divisions, Talwara disclosed that against the share of Rs 88.49 crore, Punjab provided Rs 60.01[19] crore upto July 2007 though HP released its full share of Rs 54.83 crore upto 2003-04. Delay in payment of full share necessitated revision of estimate to Rs 283.33 crore (price level 2004), raising share of Punjab to Rs 174.94 crore resulting in avoidable financial burden of Rs 86.45 crore on State exchequer, which is likely to increase further as CWC directed HP to update project cost at 2007 price level.

On being pointed out (March 2007), EE admitted (March 2007) the facts.

[19] **Transferred Rs 51.73 crore and work executed of Rs 8.28 crore (Rs 29.50 crore upto March 2004).**

### *3.1.9.4 Blockage of funds*

The State Government accorded administrative approval (April 2000 to November 2001) to three[20] projects estimated at Rs 27.28 crore.

Scrutiny of records (November 2006 to March 2007) of EEs[21] disclosed that:

- Thana Dam project costing Rs 19.81 crore, scheduled to be taken up in December 2003 was taken up in December 2005. The loan for the project from NABARD was obtained in February 2005. The cost of the project increased to Rs 27.76 crore due to price escalation. The dam was completed at a cost of Rs 26.86 crore but related irrigation works remained incomplete (July 2007).

**Delay in completion of projects led to blockage of Rs 34.59 crore**

- Phul and Raike distributory systems were to be remodelled in some reaches to increase capacity by 20 *per cent*. During 2001-03, work of Rs 1.88 crore out of Rs 6.36 crore was executed. For execution of balance work, Government accorded revised administrative approval of Rs 9.87 crore in September 2006. The Department incurred expenditure of Rs 7.55 crore but the work remained incomplete (July 2007).
- Dharangwala minor (length 23660 feet) was administratively approved (June 2001) for providing better irrigation to an area of 3230 acres. The total cost of the minor was Rs 1.11 crore. The work of first 5000 feet was completed at a cost of Rs 0.18 crore. The balance work remained unexecuted due to paucity of funds (July 2007).

Delay in completion of these projects after incurring expenditure up to 89 *percent* of the revised cost resulted in forfeiture of targeted benefits and blockage of funds to the tune of Rs 34.59 crore.

The EEs attributed (November 2006 and March 2007) the delay to non-availability of funds.

### *3.1.9.5 Unfruitful expenditure due to faulty design of works*

The CE approved (October 1994 and October 1997) construction of two new minors (Gurusar and Abhun) taking from Malookpur and Jhandwala distributaries respectively and remodelling of Shikar reclamation distributory (July 2001) for providing better irrigation facilities in a total of 6884 acres of land.

Scrutiny of records (November 2006–March 2007) of EEs[22] disclosed that:

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[20] **Thana Dam and its appurtenant works (Rs 19.81 crore), Remodeling and rehabilitation of Phul (Rs 4.56 crore) & Raike (Rs 1.80 crore) distributory systems and construction of Dharangwala minor (Rs 1.11 crore).**

[21] **Janauri Chohal Construction Division, Hoshiarpur, Bhatinda Canal Division, Bhatinda and Abohar Canal Division, Abohar.**

[22] **Abohar Canal Division, Abohar; Eastern Canal Division, Ferozepur and Madhopur Division UBDC, Gurdaspur.**

**Construction of minors without ensuring water in the parent distributory and running a channel without aqueduct to restore supply resulted in unfruitful expenditure of Rs 2.26 crore**

- Gurusar minor completed in 1999 at a cost of Rs 0.99 crore was lying unused as provision of working head of Malookpur distributory to feed the minor were not initially provided and a necessary railway siphon was not built. EE demanded (March 2007) Rs 2.28 crore to raise parent distributory and construct railway siphon. Rs 0.44 crore received for Railway siphon were deposited with Railway authorities. However, balance funds to raise parent distributory were still awaited (July 2007).
- Abhun minor completed in April 1998 at a cost of Rs 0.94 crore was lying unused as raising of its parent distributory (Jandwala) to feed the minor was not provided for in the original estimate. Revised estimate framed (October 2001) for Rs 1.42 crore but funds had not been provided (July 2007).
- Shikar reclamation distributory remodelled (2002) at a cost of Rs 0.33 crore was running with 12 cusecs water against enhanced capacity of 45 cusecs because provision of replacing pipe of 5 cusecs with an aqueduct to carry 21 cusecs discharge at RD 21032 crossing over Landa Nalla was not provided for in the approved project. Neither the estimate to construct aqueduct has been sanctioned nor the funds provided (July 2007).

Non-release of funds for remedy of omissions committed in project preparation at initial stage rendered expenditure of Rs 2.26 crore as unfruitful. The potential for irrigating 6884 acres of land and accompanying benefits envisaged could not be realized.

On being pointed out (November 2006 & March 2007), EEs attributed the reasons for non-initiating remedial measure to non-receipt of funds.

### *3.1.9.6 Non-functional drainage schemes*

The Government sanctioned 13 lift drainage schemes estimated at Rs 2.56 crore (November 1999) in order to provide outfall to the rain water collected in large depressions causing water logging.

**Unfruitful expenditure of Rs 1.68 crore on non-functional schemes**

Scrutiny of the records (February 2007) of EE, Mansa Drainage Division, Mansa disclosed that as per completion report submitted (May 2005) to Superintending Engineer, out of these 13 lift drainage schemes estimated at a cost of Rs 2.56 crore, nine were completed (2001-02) at a cost of Rs 1.17 crore and leaving four schemes incomplete. In the four incomplete schemes, civil works costing Rs 0.51 crore were completed in December 2002, but mechanical and electrical works could not be taken up (March 2007). Nine completed lift drainage schemes also remained non-functional since 2002 due to disconnection of electricity. Department did not provide funds (February 2007) despite repeated demands submitted by the EE to make these schemes functional.

Failure of the Department to provide funds for payment of electricity bills and for incomplete schemes resulted in unfruitful expenditure of Rs 1.68 crore.

On being pointed out (February 2007), EE stated (February 2007) that the schemes will be made operational on receipt of funds.

### *3.1.9.7 Execution of deficient contracts*

State Government notified (July 2001) 136 sites on various canal systems for setting up Mini Hydel Projects through private sector on Build, Operate and Own (BOO) basis. The Department entered into a tri-partite agreement with Punjab Energy Development Agency (PEDA) and private promoters for these projects. As per agreement, the promoter was to pay lease money at the rate of Rs 90,000 per annum for 33 years initially, which was extendable on mutual basis and cess at a rate of one paisa per unit of electricity generated and also would compensate the loss of revenue to Department equal to the latest annual auction bid of each site where the closure of functional water mill was necessitated for setting up of MHP.

**Deficient contracts resulted in non-recovery of Rs 39.14 lakh from private promoters**

Audit scrutiny (November 2006) of records of EE, Bathinda Canal Division, Bathinda disclosed that three agreements were entered into (August 2001) with M/s Aqua Power Limited (private promoter) for installing MHPs at three[23] sites. The lease money amounting to Rs 1.80 lakh (Lohgarh and Sidhana); cess amounting to Rs 3.39 lakh (Chak Bhai and Lohgarh) and compensation amounting to Rs 33.95 lakh was not paid by the private promoter (November 2006). Further, in case of delayed payment of lease amount, provision of interest at the rate of 15 *per cent* per annum was made but no such condition was included in the agreement for delayed payment of cess and compensation. This resulted in loss of interest of Rs 9.03 lakh as of March 2007. Presently arrears of Rs 39.14 lakh were pending against private promoters for lease, cess and compensation.

On being pointed out (November 2006), EE stated that the agreement was formulated at higher level.

### *3.1.9.8 Inordinate delay in reclamation of land*

With a view to reclaim 9559 acres in a period of 15 years, Kahan Singh Wala Reclamation Channel off-taking from Main Branch of Ferozepur feeder and having a length of 58000 feet was completed in 1983-84.

**Delayed proposal of link channel resulted in non-reclamation of 6987 acres of land**

Scrutiny of the records (November 2006) of EE, Eastern Canal Division, Ferozepur disclosed that ever since completion of channel, full supply level could not be maintained due to long length, loamy sandy area and paucity of funds for maintenance. As such only 2572 acres was reclaimed and 6987 acre of land was not reclaimed. The Department did not take any action to reclaim balance 6987 acre of land for 22 years. A link channel for this purpose was proposed (June 2006) at an estimate of Rs 1.02 crore off-taking at RD 42450/L of Nizamwah Distributory to join at RD 38825/R of Kahan Singh Wala reclamation channel. However, funds were awaited (July 2007).

As a result even though more than two decades have passed 6987 acres of land is yet to be reclaimed.

[23] **Chak Bhai, Lohgarh and Sidhana.**

EE admitted (November 2006) the facts and informed that the work of link channel was still under consideration.

***3.1.9.9 Sale of surplus land***

With a view to mobilize revenue for irrigation and drainage works in the State, Government decided (February 1998) to dispose of surplus land and abandoned Canal Rest Houses (CRH) of Irrigation Department by way of auction on market rates. As per terms and conditions of auction, successful bidders were required to deposit 10 *per cent* at the fall of hammer, 25 *per cent* within 60 days of auction and balance either in lump sum or in four equated annual installments. The possession was to be handed over on receipt of 25 *per cent* of bid amount.

**Non recovery of bid amount of Rs 1.03 crore.**

Scrutiny of records (November 2006) relating to auction in two divisions disclosed that 59 sites (28 in Bathinda Canal Division, Bathinda and 31 in Eastern Canal Division, Ferozepur) were identified as surplus/ abandoned. Out of these, the Department auctioned 48 sites between June 1998 and February 2000 for Rs 4.50 crore and failed to auction remaining 11 sites involving 58.01 acres of surplus land as no bid above or equivalent to the reserve price was received. Whereas total bid amount of 26 sites was received, the bid amount of Rs 1.03 crore for remaining 22 sites was not recovered (November 2006). Out of these 22 sites, 14 sites (auctioned at a cost of Rs 0.82 crore) remained in the possession of bidders though Rs 0.45 crore was still recoverable.

On being pointed out (November 2006), EEs stated that appropriate action will be taken. Further developments were awaited (May 2007).

***3.1.9.10 Non-payment of rent in time***

Chandigarh Administration allotted (December 1992) 11171 square yards land to Irrigation Department on leasehold for 99 years at annual ground rent of Rs 4.19 lakh payable in December every year.

**Non-payment of ground rent resulted in avoidable payment of interest of Rs 28.16 lakh**

Scrutiny of records (December 2006) of CE disclosed that Department did not pay ground rent since 1999 as the provision of ground rent was omitted in annual budget continuously for seven years. When the Chandigarh Administration issued notice (November 2005), the CE made the payment (June 2006) of Rs 61.68 lakh which included Rs 28.16 lakh as interest by diverting funds from other heads. Non-provision of ground rent in the budget estimates resulted in avoidable payment of interest.

On being pointed out (December 2006), CE admitted the facts.

***3.1.9.11 Avoidable interest payment***

Under the provisions of Land Acquisition Act 1894, (Act) Land Acquisition Officer (LAO) is required to announce an award within two years from the date of publication of declaration for acquisition of land. The market value is determined as on the date of publication of notification under Section 4 of the Act and if compensation so assessed is not paid before taking over possession of land, the amount due is payable with interest from the date of taking possession of land till payment is made to the land owners.

Audit scrutiny of records of LAO (September 2006) and EE, Bhatinda Canal Division, Bhatinda (November 2006) disclosed that in the cases detailed below awards were declared with a delay ranging between 26 and 65 months resulting avoidable payment of interest.

**(Rupees in lakh)**

| Name of work | Dates of Notification under section 4 and declaration under section 6 of the Act | Area of land acquired (in acres) | Date of award/ Delay from date of declaration (in months) | Cost of land (in rupees) | Month of payment/ Delay from date of award (in months) | Interest |
|---|---|---|---|---|---|---|
| Construction of Ring Bundh RD-39060-41350 of 3-L Budh River Sutluj village Shana(LAO Patiala) | 12.09.1995<br>20.11.1995 | 3.17 | 21.03.03<br>65 M | 1,21,494 | 10/2004<br>18 M | 1.00<br>0.27 |
| Construction of Ring Bundh on River Sutluj 3-L Bundh RD-26500 to 29700 village Sultarnpur (LAO Patiala) | 10.01.1997<br>04.02.1997 | 6.25 | 21.03.03<br>50 M | 8,65,000 | 10/2004<br>18 M | 5.41<br>1.95 |
| Construction of Ring Bundh RD-26500-29700 3-L Bundh River Sutluj Village Saidpur (LAO Patiala) | 10.01.1997<br>4.02.1997 | 1.63 | 21.03.03<br>50 M | 3,13,750 | 10/2004<br>18 M | 1.96<br>0.71 |
| Strengthening of banks of Bhadour Minor RD-99564-107723 Village Kotha Guru (Xen,Bathinda Canal Division Bhatinda) | 10.02.1999<br>03.06.2000 | 3.67 | 02.08.04<br>26 M | 11,57,812 | 08/2004 | 6.08 |
| **TOTAL** | | | | | | **17.38** |

The LAO delayed the announcement of the award and the EE delayed payment within the stipulated period as provided in the Act, the Department had to pay interest of Rs 17.38 lakh to land owners.

On being pointed out (September and November 2006), EE attributed the delay on the part of the LAO.

### *3.1.10 Material Management*

#### *3.1.10.1Non-disposal of surplus spares*

**Non-disposal of surplus spares worth Rs 1.86 crore**

Material/ spare parts valuing Rs 1.07 crore lying with Shah Nehar Headworks Division, Talwara declared surplus (October 1987) by the Department were yet to be disposed off. Similarly, surplus spare parts purchased in 1985-86 valuing Rs 0.79 crore lying in Jalandhar Mechanical Drainage Division, Nangal Township were also awaiting disposal (May 2007). Delay in disposal of material would add to losses due to deterioration in condition of spares with the passage of time and vagaries of nature.

#### *3.1.10.2 Under-utilisation of machinery*

Irrigation Department is equipped with four Drainage Mechanical Divisions stationed at Amritsar, Ferozepur, Nangal and Rajpura for construction and maintenance of drains and canals.

**Short utilization of departmental machinery resulted in unproductive expenditure of Rs 13.30 crore on establishment**

In one[24] division test checked, a fleet of 22 draglines and excavators scheduled for 84480 working hours during 2002-06[25] with cost of establishment as Rs 11.97 crore and crew charges of Rs 9.26 crore, were actually put to use for 31512 hours only, thereby resulting in short utilization by 62.70 *per cent.* The amount spent on the spares and repair of these machines worked out to Rs 1.27 crore during the period. Short utilization of draglines rendered the cost of establishment and crew amounting to Rs 13.30 crore (Rs 7.50 crore + Rs 5.80 crore) unproductive calculated on pro-rata basis.

The EE admitting (January 2007) the facts blamed the civil divisions for not allotting works to mechanical divisions.

### *3.1.10.3 Non-recovery of crew charges*

As per Central Water Commission (CWC) Guidebook[26] crew charges are to be counted as expenditure for working out hourly use rate of machinery.

**Non-inclusion of crew charges in the operational cost of departmental machinery resulted in non-recovery of Rs 3.43 crore**

Audit scrutiny of records (January 2007) of EE Jalandhar Mechanical Division, Nangal Township disclosed that expenditure of Rs 9.26 crore incurred as wages of crew during 2002-07 were not included in hourly use rate of draglines while preparing the estimates. Therefore, lower rates were charged from clients for use of machinery and Rs 3.43 crore[27] remained un-recovered as draglines were utilized to the extent of 37 *per cent* only.

On being pointed out (January 2007), EE stated that due to regularization of the posts of work charged staff, salary of crew was not being included in the estimate. The reply was not acceptable as it was in violation of the CWC guidelines and resulted in loss to the Department for not charging machinery's rate on the basis of cost involved.

## *3.1.11 Manpower Management*

### *3.1.11.1 Excess expenditure on establishment*

**During 2002-06 the establishment expenditure has been far in excess of prescribed norms**

Departmental Financial Rules[28] (DFR) provides that percentage for establishment be fixed to 25 *per cent* per 100 rupee of outlay on works.
The expenditure on establishment and works for the period 2002-06 are given in the table:

**(Rupees in crore)**

| Year | Total expenditure | Expenditure on establishment | Expenditure on Works | Other expenditure | Percentage of expenditure on establishment to expenditure on works |
|---|---|---|---|---|---|
| **2002-03** | 841.01 | 477.40 | 276.60 | 87.01 | 173 |
| **2003-04** | 690.83 | 513.05 | 79.68 | 98.10 | 644 |
| **2004-05** | 728.34 | 510.10 | 209.85 | 8.39 | 243 |
| **2005-06** | 987.68 | 583.22 | 316.81 | 87.65 | 184 |
| **Total** | **3247.86** | **2083.77** | **882.94** | **281.15** | |

24 **Jalandhar Drainage Mechanical Division, Nangal Township.**
25 **Manufacture accounts for the year 2006-07 are awaited.**
26 **Paragraph 2.4.2.2(ii) of CWC Guidebook.**
27 **Rs 3.43 crore being 37 *per cent* of Rs 9.26 crore.**
28 **Appendix-2 of Departmental Financial Rules.**

Scrutiny of records of CE disclosed that against laid down norms of 25 *per cent*, percentage of expenditure on establishment ranged between 173 *per cent* and 644 *per cent* during 2002-06.

The reply of the Department was awaited (June 2007).

***3.1.11.2 Idle establishment***

Punjab Irrigation Management Training Institute (PIMTI) was established at a cost of Rs 3.84 crore to impart training to newly recruited staff and refresher courses for senior staff/ officers.

**Non-imparting departmental training and non-carrying out the research activities resulted in unfruitful expenditure of Rs 27.43 crore**

Scrutiny of records (December 2006) of Institute disclosed that against the target of 80 training courses (16 courses per year), PIMTI did not hold even a single course during 2002-07. This resulted in unfruitful expenditure of Rs 0.81 crore incurred during 2002-07 on staff [29] posted in PIMTI and infrastructure created at a cost of Rs 3.84 crore remained idle defeating the purpose of creation of institute.

Similarly expenditure of Rs 26.62 crore incurred on pay and allowances of idle establishment[30] of Director, Irrigation and Power Research (DIPR) during 2003-07 proved wasteful as no funds were provided for research works such as survey of small reservoir, effect of mini power plants on canals, utilisation of fly ash of thermal plants, study of ground water contamination, recharging of ground water etc. thereby defeating the purpose for which DIPR was established.

On being pointed out (December 2006), DIPR, Amritsar also attributed this to non-release of funds.

***3.1.12 Other issues of interest***

***3.1.12.1 Pending tawan cases***

As per Canal and Drainage Act, 1873, persons stealing canal water shall be penalized up to 25 times of water rate *(tawan)* in addition to the originally occupier rate/ water rate leviable on the Culturable Command Area (CCA).

**Non-realization of Rs 66.92 lakh as tawan**

Audit scrutiny (January and March 2007) of records of two [31] divisions disclosed that against total 6879 cases, 6185 cases were decided by Divisional Canal Officers (DCOs) between April 2002 to March 2007 and a *tawan* of Rs 69.13 lakh was levied, of which only Rs 2.21 lakh had been recovered (March 2007), leaving a balance of Rs 66.92 lakh unrecovered. These recoveries were also not shown as outstanding in any of the statement sent to higher authority/State Government. Divisional Canal Officer Madhopur Division UBDC, Gurdaspur did not even prepare *khatunies* to enable the

**[29] Associate Professor: 5, Assistant: 1, Divisional Head Draftsman: 1, Draftsman:1, Librarian: 1 and Peon: 2.**

**[30] Gazetted : 40, Non-Gazetted: 340 and Temporary: 268.**

**[31] Devigarh Divison (IB) Patiala, Madhopur UBDC Division, Gurdaspur.**

collector to collect revenue. Thus, failure of DCOs to monitor the progress of recoveries of *tawan* cases deprived the state of revenue of Rs 66.92 lakh.

On being pointed out (January-March 2007), DCOs stated that they were still in the process of making efforts to collect the revenue.

### *3.1.12.2 Poor follow up of complaints*

The Chief Engineer, Vigilance and Quality Control, Punjab, Patiala (CE) is entrusted with the work of conducting technical examination of works and to investigate complaint cases. The EE, Vigilance and Quality Control, Amritsar (EE) intimated that as per Government orders (January 1989) case files relating to technical examination of works and vigilance investigation were not subject to statutory audit. Thus, due to non-production of case files, the extent of the administrative vigilance and quality control of the works executed by the Department could not be checked in audit.

**Discouraging response of Government in taking action against defaulting officers/officials**

Test check of returns (December 2006) submitted to the CE and Government by EE disclosed that of 249 complaint cases received up to November 2006 for scrutiny, of which 231 cases were investigated. As an outcome of investigation 17 cases pertaining to embezzlement, irregular tendering, diversion of funds and violation of rules, etc. involving 31 officers and six officials were referred to Government between September 1990 and August 2006 for taking punitive action against the defaulters. Government pursued only six cases and no action was taken in the remaining 11 cases despite lapse of a period ranging between seven months and 17 years.

The matter was referred to the Government (May 2007); reply has not been received (July 2007).

### *3.1.12.3 Non-conducting of inspection*

**Failure of the Divisional Officers in conducting required inspection indicated ineffective internal control**

During the period 2002-07, 10[32] EEs were required to conduct 175 inspections according to the Irrigation Manual of orders but carried out 74 inspections only resulting in shortfall of 58 *per cent,* this would compromise the monitoring of sub-divisions.

On being pointed out (January and March 2007), the EEs assured compliance in future.

### *3.1.13 Conclusion*

Performance audit of Irrigation Department disclosed cases of financial, planning and programme mismanagement. Nine projects approved in annual plans were not implemented depriving irrigation potential of 3.27 lakh hectares instead three projects not included in the annual plans were executed

[32] **Abohar Canal Division, Abohar, Bathinda Canal Division, Bathinda, Bari Doab Drainage Division, Amritsar, Canal Lining Division (CC), Ferozepur, Canal Lining Arrear Division, Tarn Taran at Amritsar, Devigarh Division (IB) Patiala, Eastern Canal Division, Ferozepur, Investigation Division (J), Hoshiarpur, Madhopur UBDC, Gurdaspur, Shah Nehar Headworks Divison, Talwara.**

indicating poor planning. Increase in installation of tubewells rendered 103 blocks overexploited, five blocks critical and four blocks semi critical out of 137 blocks in the State. Delay in providing funds, construction of minors without adequate survey resulted in unfruitful expenditure of Rs 2.26 crore. Failure to restore electric connections and completion of lift drainage schemes resulted in unfruitful expenditure of Rs 1.68 crore. Short utilization of departmental machinery resulted in unproductive expenditure of Rs 13.30 crore on establishment and non-inclusion of crew charges in the operational cost of machinery resulted in non-recovery of Rs 3.43 crore from client departments/agencies.

***Recommendations***

- The Department should focus on completion of irrigation and power generation projects in a time bound manner;
- Effective steps should be taken to regulate exploitation of underground water through tubewells and
- Human resources and available infrastructure should optimally be utilized.

The above points were reported to Government (May 2007); reply has not been received (July 2007).

## 3.2 Central Road Fund for Development of State Roads in Punjab

**PUBLIC WORKS DEPARTMENT (BUILDINGS AND ROADS BRANCH)**

***Highlights***

***Performance audit of utilization of Central Road Fund (CRF) for development and maintenance of State roads in Punjab revealed deficiencies in financial and programme management besides inadequate monitoring and lack of internal control. Rupees 103.63 crore accrued to State Government from CRF were forfeited due to transfer of work to Build, Operate and Transfer (BOT) scheme. Defective proposals and change of specifications resulted in irregular expenditure of Rs 2.36 crore. Expenditure of Rs 4.92 crore on acquisition of land and development of National Highway in contravention of the guidelines of Ministry of Road Transport and Highways was also incurred.***

- ***The State Government did not draw Rs 103.63 crore from its credit in CRF and transferred work of State Highway on Build, Operate and Transfer basis to a private agency burdening the general public with levy of toll tax.***

***(Paragraph 3.2.7.1)***

- ***Rs 4.92 crore from CRF were utilized irregularly on land acquisition and development of National Highway in contravention of GOI instructions.***

***(Paragraph 3.2.7.3 and 3.2.7.4)***

- ***Irregular change in specifications of the sanctioned estimate resulted in extra expenditure of Rs 1.26 crore.***

***(Paragraph 3.2.8.2 and 3.2.8.3)***

### *3.2.1 Introduction*

The Central Road Fund (CRF) was created for the purpose of construction of missing bridges, cross drainage works, rehabilitation of bridges, widening to two lanes, strengthening of weak pavement section, improvement of riding quality/periodical renewal of selected stretches of State Highways (SH), Major District Roads (MDR) and Other District Roads (ODR), improvement of traffic junctions, construction of bye passes, parallel service roads along NH/SH in built up areas. It is a reserve fund in the public account of Government of India (GOI) and is fed through a cess levied on sale of petrol and diesel. The funds collected are transferred to States. The share of the state is decided by the Central Government. GOI, Ministry of Road Transport and Highways (MORTH) release funds on the basis of approved projects to states through Reserve Bank of India.

About 1466 kms SHs, 1635.68 kms MDRs and 4219.10 kms ODRs exist in the State. Out of the share from CRF, 651 kms SHs, 438 kms MDRs and 106 kms ODRs were improved during 2002-07.

### *3.2.2 Organizational set up*

The Secretary PWD (B&R), Punjab is the overall in-charge of the Department. He is assisted by Chief Engineer (CE) National Highways, Public Works Department PWD (B&R), Punjab, Patiala being responsible for the works approved under CRF scheme. CE is assisted by 13 Superintending Engineers (SEs). The works are executed in field by 34 Public Works and Central Works Divisions each headed by an Executive Engineer (EE). The MORTH monitors the execution of CRF works.

### *3.2.3 Audit objectives*

The objective of audit was to assess whether:

- the funds received were utilized in an economical and efficient manner and for the intended purposes;
- proper survey was done to avoid subsequent changes in scope of work leading to extra payments or works remaining incomplete;
- proper planning was done to optimize the utilization of available resources and;
- quality control mechanism was in place.

### *3.2.4 Audit Criteria*

The audit was conducted with reference to the guidelines issued by MORTH, provisions laid down in Punjab PWD Manual and Punjab Financial Rules and instructions issued by Chief Engineer regarding specifications for the execution of works.

### *3.2.5 Scope of audit and methodology*

The audit of CRF was conducted between November 2006 and March 2007 through a test check of the records of Secretary, PWD (B&R), Punjab, Chandigarh, CE, SE Central Circle cum Nodal Officer Chandigarh, 13 PWD Divisions (out of 34) and Municipal Corporation, Jalandhar covering the period 2002-07 with reference to the records maintained for implementation of CRF and progress reports of CRF works etc. The units audited were selected through random sampling.

### *3.2.6 Funding Pattern*

Funds accrue to the State Government out of share of CRF. GOI releases instalments restricted to the extent of expenditure incurred by State Government for which utilization certificate (UC) is submitted to GOI. Further, the cost of scheme to be approved shall be limited to ensure that the bank of (i.e. total) sanctions at any point of time does not exceed two times the annual accruals for the State. The details of funds allocated by GOI and utilized by the State during the period 2000-07 are as follows:

**(Rupees in crore)**

| Year | Amount of accruals | Amount of Administrative Approvals | Funds released by GOI | Funds released by Finance Department | Expenditure incurred | Short releases |
|---|---|---|---|---|---|---|
| 2000-04[33] | 163.03 | 160.80 | 107.38 | 78.72 | 107.78 | 82.08 |
| 2004-05 | 37.36 | 34.76 | 28.66 | 34.02 | 21.88 | 0.74 |
| 2005-06 | 63.05 | 61.15 | 24.03 | 47.33 | 27.64 | 13.82 |
| 2006-07 | 62.56 | 46.89 | 62.30 | 62.30 | 61.80 | -15.41 |
| **Total** | **326.00** | **303.60** | **222.37** | **222.37** | **219.10** | **81.23** |

The above position showed that the State had a credit of Rs 103.63[34] crore out of accruals of Rs 326.00 crore because the State had got proposals approved administratively for Rs 303.60 crore only against which GOI released Rs 222.37 crore.

On being asked (March 2007) the SE-cum-Nodal Officer CRF (works) stated that the State could not fully utilize the funds (administratively approved by GOI) due to delay in release of funds by the Finance Department, Punjab and non-passing of bills by the Treasury officers.

### *3.2.7 Financial Management*

#### *3.2.7.1 Taking up work on BOT even though CRF credit was available*

**Executing work on BOT basis instead of under CRF fund credit**

Though the State had a credit of Rs 103.63 crore in CRF yet the work– “Upgradation, operation & maintenance of Balachaur-Garhshankar-

[33] **CRF revamped in 2000 with enactment of CRF Act 2000. Funding position taken up from 2000-01 to 2006-07.**

[34] **Rs 326.00 crore – Rs 222.37 crore= Rs 103.63 crore.**

Hoshiarpur-Dasuya road (SH 24)" was awarded (May 2005) to an agency[35] on Build, Operate and Transfer (BOT) basis at a cost of Rs 102.01[36] crore. The agency is to recover the cost of project (investment) alongwith profits and interest etc. by imposing toll tax on general public in next 17 years.

On being asked (May 2007) the CE intimated (July 2007) that it was prerogative of the State Government to allot work on BOT. The reply was not acceptable because executing the road work on BOT burdened the public with toll tax, even though Government had CRF credit which could have been availed.

### *3.2.7.2 Expenditure on road improvement after transferring it under BOT to private party*

**Rs 2.60 crore spent on road after taking decision to transfer road under BOT basis**

Scrutiny of records (November 2006) of Executive Engineer, Construction Division, Sirhind (EE) disclosed that the work "Improvement of Nabha-Gobindgarh road km. 22.00 to 37.15" was administratively approved (December 2005) for Rs 7.59 crore. Though the balance in CRF was sufficient to pursue the work the Department decided (February 2006) to transfer the work to an agency[37] on BOT basis. The agency would recover the cost of project (investment) alongwith profits and interests by imposing toll tax on vehicles of general public. Further, after taking decision (February 2006) to allot the work on BOT, the Department allotted (March 2006) the work of laying 30mm semi dense bituminous concrete (SDBC) to an agency[38] at a cost of Rs 2.22 crore at the cost of Government on the plea to make the road traffic worthy and spent (June 2006) Rs 2.60 crore. Since a decision had been taken to hand over the work on BOT basis, execution of part works on the road by the Department at Government expenses was not prudent. Further, the *ibid* decision of the Government had not only burdened the public by levy of toll tax but the transfer of work on BOT basis deprived the State Government of Central Road Fund. The BOT work is still under execution (July 2007).

On being asked (May 2007) the CE intimated (July 2007) that the SDBC was laid to keep the road traffic worthy. The reply was not acceptable because the work on BOT has been allotted in February 2006 and the work of laying of SDBC allotted in March 2006 which was to be done at the cost of BOT agency and not Government.

### *3.2.7.3 Central Road Funds utilized on NH against guidelines*

As per guidelines (July 2001), the estimates for land acquisition for any road and for construction of National Highway (NH) are not to be considered for expenditure under CRF scheme.

**[35] M/s Rohan Rajdeep Tollways Ltd.**
**[36] Out of total project cost of Rs 164.36 crore, Rs 102.01 crore were to be invested by agency and Rs 62.35 crore as grant by State Government.**
**[37] M/s. TCIL, New Delhi.**
**[38] M/s. J.K. Associates, Sangrur.**

**Rs 1.06 crore spent on improvement of National Highway in disregard to GOI instructions**

Scrutiny of records (December 2006) of Executive Engineer, Central Works Division, Ferozepur (EE) disclosed that in contravention of guidelines the work of "Hard shouldering in km. 227.800 to 229.250 and 229.750 to 235.300 Faridkot- Kotkapura Section" a NH was proposed to MORTH against which administrative approval was granted (September 2001) for Rs 1.07 crore and funds were released and an expenditure of Rs 1.06 crore had been irregularly incurred without obtaining technical sanction of estimate. The estimate for the work was sanctioned by CE subsequently in March 2007.

On being asked (May 2007) the CE intimated (July 2007) that the work was executed as per administrative approval accorded by MORTH. The reply was not acceptable in view of the fact that as per guidelines CRF earmarked for State road sector are not to be utilized on NH for which separate (57.5 *per cent*) allocation is made. Submission/approval of irregular proposal of upgradation of NH out of CRF resulted in irregular utilization of Rs 1.06 crore adversely affecting the CRF works.

### *3.2.7.4 Central Road Funds utilized on land acquisition*.

**Rs 3.86 crore spent on land acquisition irregularly in contravention of GOI instructions**

Scrutiny of records (November 2006) of Executive Engineer NH, Division, Patiala (EE) disclosed that estimate for land acquisition for the construction of Southern Bye Pass at Patiala connecting Rajpura-Patiala with Patiala-Sangrur NH-64 was administratively approved (August 2002) for Rs 3.93 crore by the Ministry and technically sanctioned (March 2007) for Rs 3.86 crore. The Department paid (October 2002) Rs 3.86 crore to the land owners as compensation for acquiring land. This had resulted in irregular expenditure of Rs 3.86 crore on land acquisition.

On being asked (May 2007) the CE intimated that the administrative approval for acquisition of land was accorded under the guidelines issued in October 2000. The reply was not acceptable because guidelines issued in October 2000 were superseded in July 2001 which lay down that estimates for land acquisition and construction of NH are not to be considered for expenditure under CRF meant for State roads.

The Secretary, Public Works directed the CE (NH) to lodge claim for re-imbursement from the concerned Ministry in the above cases.

### 3.2.7.5 *Inflated proposals led to loss of central assistance*

According to CRF guidelines, cost of each work is to be based on actual requirements and cost estimates are prepared as per current schedule of rates.

GOI accorded administrative approvals (2000-07) for Rs 303.60 crore for 105 works against the proposals submitted by the Department. It was noticed that 12 of the 105 works administratively approved for Rs 24.39 crore were completed by the Department by spending only Rs 18.69 crore. This not only showed that the estimates were not realistic but also inflated besides the State Government was deprived of Rs 5.70 crore as no fresh proposal against this saving was sent to GOI.

On being asked (May 2007) the CE intimated (July 2007) that less expenditure was due to competitive rates in tenders. The reply was not acceptable because the percentage of savings ranged between 17 and 46 which did not justify that tenders were received at such a lesser rates.

### *3.2.8 Programme management*

#### *3.2.8.1 Blockage of funds*

Guidelines (July 2001) provide that proposals for works taken under CRF should cover only those works where land is available without any encumbrance for which proper survey was required to be done before start of the work.

**Failure of Department to acquire land prior to commencement of the work led to work remaining incomplete**

Scrutiny of records (November 2006) of Executive Engineer, Construction Division No. 1, Mohali (EE) disclosed that the work "Widening of Chandigarh–Landran-Chunni Road in km. 9.70 to 24.07" was administratively approved (September 2001) for Rs 2.54 crore. The work was allotted (March 2002) to an agency[39] for Rs 1.53 crore. After awarding the work, action to acquire some portion of land under Section 4 of Land Acquisition Act was taken up (April 2002) with the concerned Sub Divisional Magistrate. The Department later noticed (May 2002) that some portion of the land belonged to Zila Parishad and the rest to private land owners. The land owners filed a case in High Court which is pending for decision. After spending Rs 1.10 crore, the agency had to stop the work (April 2004) because of the dispute of land in reach RD 13.600 to 15.700 km. (2.1 km.) and the work is lying incomplete (May 2007). As a result not only there was blockage of funds but also the intended purpose of providing free flow of traffic was not achieved.

On being asked, the CE intimated (July 2007) that there were no encumbrances at site at the time of submitting proposal to ministry. The reply was not acceptable because the encumbrances were in the notice of the Department since 1952.

#### *3.2.8.2 Extra expenditure due to change in specifications*

As per guidelines (July 2001), proposal of any work sent for seeking administrative approval should be supported with scope of work including specifications to be adopted in brief alongwith estimated cost of the work based on current schedule of rates.

**Unauthorized change in approved specification resulted in extra expenditure of Rs 0.18 crore**

Scrutiny of records (October 2006) of Executive Engineer, Provincial Division, Mohali (EE) disclosed that the work of raising/strengthening of Nurpur Bedi to Agampur Chowk-Jhajj Chowk to Garhshankar road which was administratively approved (October 2004) for Rs 5.46 crore by MORTH and technically sanctioned (February 2005) by CE for Rs 5.52 crore, provided for raising a portion of road with single layer of 150mm granular sub base (GSB), 150mm wet mix macadam (WMM), primer coat with 7.50kg/10sqm and 25mm SDBC. The work was allotted (March 2005) for Rs 5.29 crore to be

[39] **M/s Alpha Construction Company, Ropar.**

completed by October 2006. The work was still in progress (June 2007) and paid for Rs 4.30 crore upto 9th running bill.

After award of work, the single layer (150 mm) of WMM was substituted with two layers of 75 mm water bound macadam (WBM) each and 40mm thick SDBC on the request of contractor that he was unable to control traffic to facilitate laying of WMM. Similarly, strengthening of road from RD 30.705 to 35.800 which initially provided in the estimate for laying of 150 mm thick WMM and 25 mm SDBC was subsequently replaced with 75 mm thick WBM (as existing crust of road was 225 mm) and 40 mm thick SDBC. The unauthorised change in the administratively approved design and specifications resulted in extra expenditure of Rs 17.82 lakh.

In response to the audit observation, the CE intimated (July 2007) that even after changed specifications expenditure was within administrative approval. The reply was not acceptable because post tender developments by change of specifications resulted in avoidable expenditure of Rs 17.82 lakh.

### *3.2.8.3 Deviation from standard specifications*

As per instructions issued (September 2003) by CE for upgrading of roads[40] under CRF, 20mm thick premix carpet (PC) was to be laid on roads having existing pavement thickness of 150mm.

**Deviation from standard specifications led to extra expenditure of Rs 1.08 crore**

Scrutiny of records (January 2007) of Executive Engineer of Construction Division, Gurdaspur and Pathankot disclosed that CE (NH) technically sanctioned (January 2005 and December 2004) two works: (i) strengthening/ raising of Batala–Quadian–Kot Todarmal road, district Gurdaspur km. 0.00 to 22.13 and (ii) Batala–Kahnuwan Road (Batala to Sathiala village) km. 0.00 to 23.30 for Rs 5.09 crore and Rs 5.49 crore respectively. Both the works were allotted (January 2005) to contractors[41] and contained a provision of providing and laying 20mm thick PC as the existing thickness of pavement was 150 mm. During execution, the above specifications (PC) were changed (June 2005) to laying of 25mm thick SDBC in case of Gurdaspur and 30mm thick SDBC in case of Pathankot Divisions and estimates got sanctioned (June 2005) for Rs 5.21 crore and Rs 5.97 crore respectively. Failure of Department to follow its own standard specifications resulted in extra expenditure of Rs 1.08 crore (Rs 40.30 lakh + Rs 67.29 lakh).

In response to the audit observation, the CE intimated (July 2007) that laying of 25mm and 30mm SDBC was executed as per the site conditions. The reply was not acceptable because the deviation from the standard specifications after allotment of work had led to extra expenditure.

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40 **Under Phase IV.**
41 **(i) M/s Satish Aggarwal & Company, Mukerian (ii) M/s Jagson Construction Pvt. Ltd., Pathankot.**

### *3.2.9 Quality Control*

As per prescribed procedure, the Quality Control Cell (QCC) of the Department is required to conduct quality control check of the on going or completed works to ascertain the execution as per approved specification and provisions of the estimate and to ensure that the desired quality of the work has been attained. Out of test checked 25 works, it was noticed that in six works executed in six divisions, the QCC had not inspected the works to ascertain the execution as per specifications. It was also noticed in 13 test checked divisions that no inspection of the P W Divisions was conducted by the CE and concerned SEs during 2002-07 to evaluate the execution of CRF works as per approved specifications and completion within the scheduled time.

On being asked the CE intimated (July 2007) that QCC of the Department had checked the works at the time of execution and he himself had also inspected the works. The reply was not acceptable because as per information supplied by the divisions, the works were not inspected by the CE.

### *3.2.10 Conclusion*

Planning was deficient as despite the availability of a credit of Rs 103.63 crore in CRF, roads were transferred on Build, Operate and Transfer basis to private agencies thereby burdening general public of levy of toll tax; Rs 4.92 crore were utilized out of CRF on land acquisition and development of National Highway against guidelines and change in specifications led to additional burden on State exchequer.

***Recommendations***

- The Government should utilize accruals of the CRF to the maximum;
- The areas of survey, planning and estimations need to be given more attention to avoid changes in scope of work or specifications at an advanced stage of execution so that works are not left incomplete or abandoned either due to land dispute or any other reason and
- Quality of works should be checked effectively during execution so as to avoid acceptance of defective or substandard works.

The matter was referred to Government (May 2007); the replies received (July 2007) were discussed in exit conference.

## 3.3 Cattle and Buffalo Development Programme

### *3.3.1 Introduction*

**ANIMAL HUSBANDRY DEPARTMENT**

Livestock plays a very important role in the State economy. The State had a large population of 86 lakh livestock[42]. Animal Husbandry Department looks after the activities of animal production, health, feeding and management practices. The main objectives of the Cattle and Buffalo Development Programme is to improve the genetic potential through scientific methods. To achieve the above objectives, the Department undertakes artificial insemination (AI) and also maintains cattle breeding farms.

The Financial Commissioner and Secretary Animal Husbandry Department (Secretary) is the overall incharge of the Department assisted by Director Animal Husbandry (Director) who is the Head of the Department and controlling officer responsible for implementation and monitoring of programmes of the Department. The Director is assisted at the State level by five Joint Directors (JD) including Joint Director (JD), Regional Referral Diagnostics Laboratory (RDDL), Jalandhar and at district level by 24 Deputy Directors (DD) including DD (Statistics) at Chandigarh, DD Vaccine Institute Ludhiana and DD (Farms), Mattewara.

The records of the Directorate, eight districts[43] (out of 20 districts), JD RDDL Jalandhar four Farms[44] (out of six) and DD Vaccine Institute Ludhiana for the period 2002-07 was test checked between October 2006 and March 2007 to ascertain the effectiveness of the programme.

### *3.3.2 Programme Management*

#### *3.3.2.1 Improvement in quality of cattle*

**Non-utilization of funds of Rs 15.06 crore resulted in poor performance of AI programme**

With a view to improve genetic potential of cattle through scientific breeding, the Department provides Artificial Insemination (AI) facilities such as frozen semen technique in 2661 out of 2852 veterinary institutions in the State. The main objective of National Project for Cattle and Buffalo Breeding Programme to be executed by Punjab Livestock Development Board (PLDB), for which GOI provided funds, was to provide AI services at the farmer's doorstep. Against the available funds of Rs 25.19 crore (GOI: Rs 12.82 crore: and purchee fee: Rs 12.37 crore), only Rs 10.13 crore were spent for the purpose. Inspite of surplus funds of Rs 15.06 crore with PLDB the performance of AI during 2002-07 was not satisfactory. The performance of AI programme is given in the table that follows:

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**[42] Source: Census 2003.**
**[43] Amritsar, Bathinda, Faridkot, Gurdaspur, Kapurthala, Ludhiana, Patiala and Sangrur.**
**[44] Mattewara (Ludhiana), Nabha, Patiala and Ropar.**

**(Figures in lakh)**

| Year | Cows | | | | Buffaloes | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Breedable Cows | Targets | AI Performed | Per centage | Breedable Buffaloes | Targets | AI Performed | Per centage | Targets | AI Performed |
| 2002-03 | --- | 20.00 | 15.91 | -- | -- | 12.00 | 7.87 | - | 32.00 | 23.78 |
| 2003-04 | 9.17 | 20.00 | 15.46 | 169 | 32.49 | 12.00 | 8.46 | 26 | 32.00 | 23.92 |
| 2004-05 | 9.17 | 15.88 | 14.64 | 160 | 32.49 | 10.36 | 8.85 | 27 | 26.24 | 23.49 |
| 2005-06 | 9.17 | 18.00 | 13.91 | 152 | 32.49 | 12.00 | 8.65 | 27 | 30.00 | 22.56 |
| 2006-07 | 9.17 | 18.00 | 10.16 | 111 | 32.49 | 12.00 | 5.89 | 18 | 30.00 | 16.05 |
| ***Total*** | | **91.88** | **70.08** | | | **58.36** | **39.72** | | **150.24** | **109.80** |

Against the breedable population of 9.17 lakh cows and 32.49 lakh buffaloes, targets were fixed for 15.88 lakh to 20 lakh cows and 10.36 lakh to 12 lakh buffaloes. Against this, AI performed in case of cows during 2003-07 ranged between 111 and 169 *per cent* of total breedable cows and in case of buffaloes ranged between 18 to 27 *per cent* only which was very low. This indicated that the targets were not fixed as per available breedable cattle.

On being pointed out (April 2004), the Director stated that inspite of best efforts by the Department, the targets of AI in buffaloes could not be achieved as AI in buffaloes was not accepted by the farmers.

#### *3.3.2.2 Low success of AI programme*

The success rate of AI performed (2003-06) was low both in respect of cows and buffaloes. During 2003-06, the number of cows and buffaloes born is shown in the table below:

**(Figures in lakh)**

| | 2003-04 | | | 2004-05 | | | 2005-06 | | |
|---|---|---|---|---|---|---|---|---|---|
| | AI performed | Birth | Percent-age | AI performed | Birth | Percent-age | AI performed | Birth | Percent-age |
| Cows | 15.46 | 4.49 | 29 | 14.64 | 3.55 | 24 | 13.91 | 3.14 | 23 |
| Buffaloes | 8.46 | 2.58 | 30 | 8.85 | 2.18 | 25 | 8.65 | 1.98 | 23 |

The success of the AI performed ranged between 23 to 29 *per cent* in respect of cows, while the same was between 23 and 30 *per cent* in respect of buffaloes. On being pointed out (October 2006), no reasons for the same were given by the Director.

#### *3.3.2.3 Poor performance of buffalo bull mother farm*

With a view to produce pedigreed bulls of exotic and cross bred breeds for cross breeding and for supply to semen bank, the Department maintains a buffalo bull mother farm at Mattewara since 1993-94 under cattle and buffalo development programme.

The main objective of the farm was to produce quality bulls for artificial insemination. The quality bulls would be from best milk producing mother buffaloes. The milk production at the buffalo bull mother farm during 2002-07 was as follows:

| Year | Total No. of animals | No. of animals in Milk | Milk Production | Average Milk production |
|---|---|---|---|---|
| | | | (Figures in tonnes) | |
| 2002-03 | 181 | 30 | 101.603 | 3.38 |
| 2003-04 | 172 | 40 | 87.191 | 2.18 |
| 2004-05 | 191 | 41 | 85.959 | 2.10 |
| 2005-06 | 206 | 38 | 101.176 | 2.66 |
| 2006-07 | 271 | 73 | 100.184 | 1.37 |

**Poor quality stock of mothers for production of bulls for feeding the semen bank**

As can be seen, the average milk yield of per animal per year came down by 59 *per cent* from 3.38 tonnes in 2002-03 to 1.37 tonnes in 2006-07. The mother buffaloes maintained in the farm were not high milk producing. Thus, their offsprings would be of inferior quality and unsuitable for breeding or AI purposes. As a consequence, all three bulls transferred (December 2004) to semen bank, Nabha were rejected as the milk yield of their mothers was not upto the mark and thus these were not fit for semen bank.

On being pointed out, the Department attributed it to insufficient supply of green fodder during October 2006 to January 2007. The reply was not acceptable because milk production decreased sharply during 2003-04 and 2006-07 and fodder valuing Rs 4.56 lakh (green fodder: Rs 4.30 lakh and dry fodder: Rs 0.26 lakh) was also sold by the farm during 2003-07. This shows that the purpose of maintaining the farm was not being met.

### *3.3.2.4 Avoidable burden on state exchequer*

Previously, bull attendants were appointed to look after bulls in veterinary hospitals and dispensaries. The Department had introduced (1972) frozen semen technology in place of natural breeding process and no bulls were kept in the veterinary hospitals/dispensaries.

**Appointment of bull attendants without necessity led to avoidable financial burden of Rs 20.42 lakh**

Audit scrutiny of records disclosed that out of 279 bull attendants working in eight test checked districts, 10 bull attendants[45] were appointed during 2002-06. The appointments of bull attendants as such resulted in avoidable financial burden of Rs 20.42 lakh on state exchequer on account of salary of 10 bull attendants paid during 2002-07.

On being pointed out (October 2006), the Director stated (October 2006), that DDs had made the appointments of bull attendants at district level. The reply confirmed lack of monitoring on the part of Director facilitating avoidable financial burden on state exchequer.

### *3.3.3 Conclusion*

Poor performance of artificial insemination services despite surplus funds showed that the programmes were not implemented successfully. Buffalo

[45] **Amritsar (2), Ludhiana (3) and Patiala (5).**

bulls produced in farm did not qualify for supply of semen to semen bank. There was avoidable burden of Rs 20.42 lakh on state exchequer due to appointment of 10 bull attendants during 2002-07, although no bulls were kept in veterinary hospitals/dispensaries due to switching over to frozen semen technology in place of natural breeding process.

***Recommendation***

- Department should take steps to ensure successful implementation of AI programme.

The matter was referred to Government (June 2007); reply has not been received (July 2007).

## 3.4 Nutrition Programmes under Integrated Child Development Services (ICDS) Scheme and other schemes

### *3.4.1 Introduction*

**SOCIAL SECURITY AND WOMEN AND CHILD DEVELOPMENT DEPARTMENT**

Government of India (GOI) launched (1975-76) ICDS with the objectives to (i) improve nutrition and health status of children, (ii) reduce the incidence of mortality, morbidity, mal-nutrition, (iii) enhance the capability of mothers to look after the health and nutritional needs of children, (iv) lay the foundation for proper psychological, physical and social development of the child and (v) achieve effective co-ordination for implementation of policy among various departments to promote child development. To achieve the objective of improving nutrition and health status three schemes - Supplementary Nutrition Programme (SNP); Kishori Shakti Yojana (KSY) and Nutrition Programme for Adolescent Girls (NPAG) are being implemented.

The Secretary of the Department of Social Security and Women and Child Development is overall incharge of the nutrition programme under ICDS and is responsible for its co-ordination and implementation through Director, Social Security and Women and Child Development(SSWCD) assisted by Programme Officers (POs), Child Development Project Officers (CDPOs) and Anganwadi Workers (AWs) in the field. From 2004-05 the Chief Executive Officer (CEO), Zila Parishad (ZP) is responsible for procurement of food articles to be provided under the Programme.

The records of Director, five POs (out of 17), five CEOs (out of 17), 56 CDPOs (out of 142) and 5641 AWs (out of 14730) for the years 2002-07 were test checked between October 2006 and March 2007 to ascertain effectiveness of programme.

### *3.4.2 Financial Management*

The position of allocation of funds under these schemes for the years 2002-07, its release by Government and utilisation of funds (scheme-wise) is as under:

(Rupees in crore)

| Year | Funds allocated by Government | Funds released by Government | Funds utilized by the Department | Short utilization | Percentage short utilization |
|---|---|---|---|---|---|
| **i) Nutrition Programme for Adolescent Girls(GOI Scheme)** | | | | | |
| 2002-03 | 1.94 | 1.14 | 0.57 | 0.57 | 50 |
| 2003-04 | 4.47 | 0 | 0 | 0 | NA* |
| 2004-05 | 2.28 | 0 | 0 | 0 | NA* |
| 2005-06 | 2.28 | 1.30 | 0.65 | 0.65 | 50 |
| 2006-07 | 1.80 | 1.36 | 1.36 | 0 | 0 |
| **Total** | **12.77** | **3.80** | **2.58** | **1.22** | **32** |
| **ii) Supplementary Nutrition Programme (State Scheme)** | | | | | |
| 2002-03 | 6.18 | 6.18 | 0.39 | 5.79 | 94 |
| 2003-04 | 4.50 | 0 | 0 | 0 | NA* |
| 2004-05 | 17.00 | 17.00 | 13.51 | 3.49 | 21 |
| 2005-06 | 47.06 | 23.53 | 23.53 | 0 | 0 |
| 2006-07 | 55.66 | 55.66 | 46.06 | 9.60 | 17 |
| | **130.40** | **102.37** | **83.49** | **18.88** | **18** |
| **iii) Kishori Shakti Yojana (State Scheme)** | | | | | |
| 2004-05 | 0.50 | 0.50 | 0.50 | 0 | 0 |
| 2005-06 | 1.06 | 1.06 | 0.83 | 0.23 | 22 |
| 2006-07 | 2.50 | 2.50 | 1.92 | 0.58 | 23 |
| **Total** | **4.06** | **4.06** | **3.25** | **0.81** | **20** |

*** No expenditure as funds were not released.** **Source : Director, SSWCD**

Department attributed savings to late release of funds by the State Government and non-passing of bills by the Treasury Officers (TOs).

### *3.4.2.1 Drawal of funds in advance of requirements*

Financial Rules provide that no money should be drawn from the treasury without sanction of competent authority and unless it is required for immediate disbursement. Further, Punjab Treasury Rules prohibited deposit of money drawn from treasury in the commercial banks.

**Drawal of funds in excess of the requirement resulted in loss of interest of Rs7.93 lakh**

Test check of records of POs Hoshiarpur and Jalandhar disclosed that Rs 1.33 crore was drawn from Hoshiarpur Treasury (NPAG) and Rs 1.44 crore from Jalandhar Treasury (SNP) between September 2004 and November 2006. This money was deposited in current accounts in banks. Out of this, only Rs 1.36 crore were utilized, Rs 0.92 crore were deposited (August 2005 and December 2006) in the Government accounts and balance amount of Rs 0.49 crore (PO Hoshiarpur) was lying in current account (May 2007) resulting in loss of interest of Rs 6.85 lakh.

Further, Punjab State Planning Board allotted (May 2005) Rs 1.77 crore (SNP) to District Kapurthala and sanctioned 50 *per cent (29 March 2006)* of the amount. It was, however, noticed that instead of releasing 50 *per cent*, funds, Deputy Commissioner, Kapurthala released the entire amount to PO, Kapurthala who withdrew this amount between July 2005 and March 2006 and transferred to ZP, Kapurthala. The amount of Rs 88.70 lakh drawn unauthorizedly and deposited in treasury in May 2006 resulted in loss of interest of Rs 1.08 lakh[46]

The irregular retention of funds outside Government accounts has not only adversely affected ways and means position of Government but also resulted in loss of interest Rs 7.93 lakh (calculated at borrowing rate of the Government).

[46] **Interest for 57 days from 31 March to 26 May 2006.**

On being pointed out (May 2007), the Director admitted (May 2007) the lapse.

***3.4.2.2 Non-reconciliation with Treasuries***

Financial rules provide that the Drawing and Disbursement Officers (DDOs) should reconcile every month all the withdrawals and deposits with the figures appearing in the books of the Treasury and record a certificate to this effect in the cash book.

**Non-reconciliation of withdrawals and deposits with treasuries accounts**

The records of 23 DDOs (out of 66 DDOs) test checked disclosed that reconciliation of withdrawals (Rs 44.07 crore) and deposits (Rs 2.39 crore) during the period 2002-07 was not done (June 2007) with treasuries. Delay in reconciliation weakens the financial administration and can lead to malpractices.

***3.4.2.3 Incorrect depiction of expenditure in account***

**Excess booking of expenditure Rs 6.90 crore**

From January 2004, State Government transferred the implementation of nutrition programme to Panchayati Raj institutions. Under the new pattern, ZPs were to purchase food items, pre-school kits and medicines for anganwadi centres and transfer to CDPOs for further distribution through Gram Panchyats.

Test check of records of six[47] ZPs disclosed that POs had drawn Rs 21.27 crore from treasury and shown as expenditure during 2004-07. Scrutiny of records of respective ZPs disclosed that out of Rs 21.27 crore received by ZPs from respective POs, only Rs 14.37 crore were utilized during the period leaving a balance of Rs 6.90 crore unutilized as of March 2007. Thus, the entire amount recorded in the accounts as spent on the scheme was not actually used for it.

Thus, there was excess depiction of expenditure of Rs 6.90 crore in the accounts.

***3.4.2.4 Non-submission of utilization certificates***

**UCs for Rs 39.28 crore were not submitted**

As per requirement of Schemes, the utilisation certificates (UCs) were required to be submitted to the Central and State Governments. However, it was noticed that though an expenditure of Rs 39.28 crore was incurred under various schemes between 2002 and 2006 yet the UCs were not submitted to the respective funding governments. In the absence of UCs it is difficult to know whether the money has been spent for the purpose it was given.

No reasons for non-submission of UCs were given by the Department.

[47] **Amritsar-1.01 crore, Gurdaspur -0.56 crore, Jalandhar-3.29 crore, Ludhiana-0.62 crore, Mansa-0.98 crore and Sangrur-0.44 crore.**

### *3.4.2.5 Excess payment to FCI*

**Excess payment of Rs 13.79 lakh remained un-recovered from FCI**

As per allocation, FCI was to supply food grains (564 quintals wheat and 661 quintals rice) worth Rs 6.32 lakh under wheat based nutrition programme at below poverty line (BPL) rates for Kapurthala district. It was, however, noticed that against this, ZP, Kapurthala made (March 2006) payment of Rs 18.77 lakh for supply of 1801 quintals wheat and 2000 quintals rice (on the basis of demand) resulting thereby into excess payment of Rs 12.45 lakh.

Similarly, PO, Hoshiarpur made payment of Rs 36.15 lakh to FCI for supply of 8375 quintals of wheat and lifted only 8065.40 quintals wheat valuing Rs 34.81 lakh resulting in excess payment of Rs 1.34 lakh to FCI.

Thus, payment of Rs 13.79 lakh was made in excess to FCI, refund of which was awaited (May 2007).

### *3.4.3 Programme Management*

### *3.4.3.1 Denial of benefits of the scheme to eligible beneficiaries*

**Food grains of Rs 23.59 crore remained unlifted denying nutrition to intended beneficiaries**

Under the wheat based nutrition programme, against the requirement of food grains, GOI allotted food grains worth Rs 23.59 crore (Wheat 28160 MT and Rice 21060 MT) in the year 2002-03. Against this, no quantity was lifted by the Department from Food Corporation of India (FCI) reportedly due to non-passing of the bills by the treasury. The failure of Department to lift the allocated wheat and rice resulted in denial of facility of supplementary nutrition to 604709 beneficiaries under the scheme.

On being pointed out (March 2007), the Department admitted the facts.

### *3.4.3.2 Failure to use Central Assistance for NPAG*

**Failure to utilize GOI funds of Rs 1.22 crore for NPAG led to denial of benefits to all eligible**

GOI selected two[48] districts of the State under NPAG scheme to provide food grains through public distribution system (PDS) to under nourished adolescent girls. The implementation of the scheme was approved on pilot basis.

The audit of the records disclosed that central assistance of Rs 1.22 crore provided by GOI for the years 2002-03 and 2005-06 (Hoshiarpur: Rs 0.57 crore for 13818 beneficiaries and Jalandhar: Rs 0.65 crore for 24147 beneficiaries) was not utilized by the Department resulting in denial of benefits of the scheme to all 37965 eligible beneficiaries.

On being pointed out in audit, the POs stated (May 2007) that funds remained unutilized due to non-passing of bills by the treasury.

### *3.4.3.3 Shortfall in the coverage of beneficiaries*

**Shortfall in coverage of beneficiaries was 32 *per cent* to 85 *per cent***

In the 56 projects test checked, there was heavy shortfall in the coverage of beneficiaries under SNP during the period 2002-07. In case of expectant

[48] **Hoshiarpur and Jalandhar.**

women, it was 33 *per cent* to 85 *per cent*, nursing mothers 32 *per cent* to 82 *per cent* and children 40 *per cent* to 83 *per cent* as per details given below:

| Year | Total number of eligible beneficiaries | | | Number of beneficiaries provided with SNP | | | Shortfall in providing SNP | | | Percentage of shortfall | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Children | Expec-tant women | Nur-sing mothers | Children | Expec-tant women | Nur-sing mothers | Children | Expec-tant women | Nur-sing mothers | Children | Expec-tant women | Nur-sing mothers |
| 02-03 | 406941 | 62172 | 51019 | 68364 | 9257 | 10107 | 338577 | 52915 | 40912 | 83 | 85 | 80 |
| 03-04 | 397284 | 63672 | 50958 | 68218 | 10910 | 9044 | 329066 | 52762 | 41914 | 83 | 83 | 82 |
| 04-05 | 402823 | 62186 | 50011 | 134107 | 27787 | 28803 | 268716 | 34399 | 21208 | 67 | 55 | 42 |
| 05-06 | 402177 | 62789 | 48915 | 169079 | 31481 | 25310 | 233098 | 31308 | 23605 | 58 | 50 | 48 |
| 06-07 | 435411 | 62812 | 49838 | 261172 | 41808 | 33622 | 174239 | 21004 | 16176 | 40 | 33 | 32 |

Supplementary nutrition was to be provided to beneficiaries for minimum 300 days in a year. None of the identified beneficiaries got the supplementary nutrition for envisaged 300 days. (The number of days on which the supplementary nutrition was not provided ranged from 15 to 300 days.)

### *3.4.3.4 Loss to state exchequer*

Punjab Vigilance Bureau seized (May 2005) on the basis of a complaint, purchase files/records of ZP Amritsar relating to purchase of Biscuits, Murmura (Rice puff), Wheat puff and Panjiri etc. from M/s Purb Mercantile, Amritsar in connection with enquiry against ZP. As per instructions from Vigilance Bureau, ZP instructed (May 2005) PO and all CDPOs of Amritsar district to stop distribution of above material to the beneficiaries. The outcome of the vigilance inquiry was still awaited (July 2007). As a result, food items worth Rs 39.47 lakh lying with 13 CDPOs had become unfit for human consumption resulting in loss to the state exchequer.

**Material valued Rs 39.47 lakh became unfit for human consumption due to non-finalisation of vigilance inquiry**

On being pointed out, the CDPOs stated (May 2007) that the material was received in good condition but because distribution of material to the beneficiaries was stopped by the district authorities, it became unfit for human consumption in due course.

### *3.4.3.5 Non-creation of nutrition and health awareness*

Nutrition and health education was to be given to all women in the age group of 15-45 years with priority to expectant women and nursing mothers through publicity by holding film shows, demonstration of cooking and feeding, home visits by AWs as well as through programmes of Ministry of Health & Family Welfare.

Scrutiny of records in 56 blocks of five districts test checked revealed that no activities were preformed by the Department resulting in non-creation of nutrition and health awareness among the masses upto the desired level.

### *3.4.4 Monitoring and Evaluation*

### *3.4.4.1 Shortfall in field visits*

For effective implementation of the scheme and for its physical monitoring, each CDPO was required to undertake field visits/inspections of the

Anganwadis for at least 18 days a month with 10 night halts outside the headquarters. Scrutiny of progress reports of CDPOs sent to POs/higher authorities, in the test checked districts disclosed that there was nine to 60 *per cent* shortfall in visits of CDPOs during 2002-07. CDPOs did not make even a single night halt. No corrective measures were taken by POs/Director.

On being pointed out (May 2007), the Department attributed the shortfall in field visits and night halts to shortage of CDPOs and supervisors and attending to extra work like old age pensions.

### *3.4.4.2 Non-formation of co-ordination committees*

For co-ordination and smooth running of the scheme, co-ordination committees at the village, block, project, district and state level were required to be set up to monitor ICDS including nutrition programme. The meeting of the co-ordination committees was required to be held monthly at block level and district level and quarterly at state level. It was, however, seen that co-ordination committees at the block/project, district and state levels were not set up.

### *3.4.5 Conclusion*

The Department failed in the areas of planning, co-ordination and monitoring of the nutrition programme. The funds were drawn in advance of requirements and kept outside Government accounts resulting in loss of interest Rs 7.93 lakh. The reconciliation of expenditure was not done. Expenditure was overstated by Rs 6.90 crore and utilisation certificates for Rs 39.28 crore were not furnished. Material costing Rs 39.47 lakh seized by Vigilance became unfit for human consumption due to its non-utilization within prescribed shelf life. Wheat and rice were not lifted from godowns denying benefit to 604709 beneficiaries. The overall shortfall in coverage of beneficiaries was between 32 and 85 *per cent*. Monitoring of the scheme was weak.

### *Recommendations*

- Demand for funds should be realistic as to avoid savings; Funds provided by the GOI need to be released in toto as well as in time by State Government;
- Reconciliation of expenditure and receipts should be made with TOs as well as AG (A&E) urgently;
- Wheat and rice etc. should be lifted in time to make the programme a success and
- Implementation of the schemes should be properly monitored.

## 3.5 Information Technology Audit of Integrated Treasury Information System of Punjab

**FINANCE DEPARTMENT**

***Highlights***

***Information Technology Audit of Integrated Treasury Information System of Punjab manifested improper planning as no Information Technology strategy, System Development Life Cycle approach and Information Technology security policies were formulated. Non-implementation of input controls resulted in passing of bills without removal of objections, with duplicate bill numbers, on dates prior to the date of its receipt, etc. Despite a plan and availability of funds, web based linkages with banks and Finance Department could not be established, thereby affecting monitoring for ways and means and non-optimal utilisation of computerisation.***

- ***The software was got developed and implemented without formulation of Information Technology strategy, adoption of a System Development Life Cycle approach and Information Technology security policies. There was no evidence to suggest that comprehensive acceptance testing was done before implementing the computerised system.***

***(Paragraph 3.5.6, 3.5.7 and 3.5.19)***

- ***The Directorate failed to incorporate input/ validation controls in the iTISP despite adoption of software six years ago thereby causing passing of bills without removal of objections, with duplicate bill numbers, on dates prior to the date of its receipt, etc. The data generated was unreliable to some extent.***

***(Paragraph 3.5.11, 3.5.13 and 3.5.14)***

- ***Due to lack of coordination between the Directorate and National Informatics Centre, mapping of some business rules, one to one link between cheques issued in lieu of cancelled cheques and audit trails provisioning could not be done in the software so far.***

***(Paragraph 3.5.16, 3.5.18 and 3.5.20)***

- ***The objective of providing web-based linkages with banks and Finance Department was also not achieved, though planned in October 2004, thereby affecting monitoring for ways and means.***

***(Paragraph 3.5.17)***

- ***Password policy, back-up policy, disaster recovery and business continuity plans was not framed and documented.***

***(Paragraph 3.5.22 and 3.5.24)***

### *3.5.1 Introduction*

The Punjab Finance Department (Department) is responsible for maintaining fiscal discipline and exercises financial control over public spending by Government Departments in the State through the Directorate of Treasuries & Accounts (Directorate). There are 21 District Treasuries and 69 Sub treasuries. A plan for computerisation of treasuries was made in June 1997 and application software ‘Integrated Treasuries Information System of Punjab (iTISP)' was developed through National Informatics Centre (NIC), Punjab State Unit, Chandigarh .

iTISP was designed as a client/server application with Window 2000/2003 as operating system, MS SQL server at the back end and MS Visual Basic at the front end. The first version was developed and implemented (2001) in phases at treasury/sub-treasury level, thereafter software was updated regularly.

### *3.5.2 Organisational Set-up*

The Directorate is headed by a Special Secretary cum Director Treasuries and Accounts under overall administrative control of Principal Secretary, Finance Department. The Director Treasury and Accounts, is assisted by an Additional Director and one Deputy Director. In the field, 21 District Treasury Officers (DTOs) are assisted by Treasury Officers (TOs) and a Superintendent with supporting staff at district level and technical assistance is provided by Assistant Programmers, deputed on contractual basis, at treasury/sub treasury level.

### *3.5.3 Objectives of computerisation*

The objectives of implementing iTISP were as under:

- Efficient monitoring of expenditure & revenue.
- Position of actual payment made by Bank.
- Online inclusion of sub treasury data at district treasury.
- Monitoring position of pendancy of bills with amount under different major heads at different treasuries.
- To prevent the possibility of fraud/ embezzlement.
- Ascertaining the position of cheques issued by treasuries but not cleared by banks.

### *3.5.4 Scope of Audit*

Out of the 21 district treasuries, five[49] District Treasury Offices (DTOs) were covered in Audit. The data maintained in selected treasuries for the period from 2005-06 to 2006-07 was analyzed to assess the control environment for ascertaining completeness, regularity, authenticity, consistency and reliability. Interactive Data Extraction and Analysis (IDEA) package and Structured Query Language (SQL) was used in audit for analytical review of data.

## AUDIT FINDINGS

### *3.5.5 Unplanned implementation*

The Directorate devised a plan of computerising all 21 district treasuries and 69 sub-treasuries in June 1997. Accordingly, application software-'Integrated Treasuries Information System of Punjab (iTISP)' was developed by National Informatics Centre (NIC), Punjab State Unit, Chandigarh, and after site preparation, hardware/ software were purchased. iTISP was implemented (2001) in different phases during 1997-2006 and the total expenditure on

[49] **Chandigarh, Hoshiarpur, Jalandhar, Ludhiana, and Ropar**

software development, software licenses and purchase of hardware amounted to Rs 6.22 crore.

Audit scrutiny of the records of Directorate disclosed that out of 69 sub-treasuries, 54 were computerised during 1997-2006 at a cost of Rs 6.22 crore, thereby leaving 15 sub-treasuries un-computerised. The Directorate could not undertake computerisation all the sub treasuries of the districts and 15 sub treasuries pertaining to 11 districts were left un-computerised. The Government of Punjab sanctioned Rs 2.46 crore for expansion of the existing system and computerisation of remaining 15 sub treasuries, for which the action was initiated only in February 2007 resulting delay in creation of intended infrastructure during 2006-07.

The Directorate in its reply stated (August 2007) that delay in computerisation of remaining sub treasuries was due to non-provision of online linking of these sub-treasuries with the district treasuries in the Software Requirement Specifications (SRS). The reply of the Directorate is not tenable as it was the major objective of the computerisation to include sub treasury data at district level.

### *3.5.6 Non- adoption of a structured approach in software development*

It was necessary to adopt a structured approach with a methodology governing the process of developing, acquiring, implementing, evaluating and maintaining computerised information systems and related technology with documentation at all stages.

Audit scrutiny revealed that there was no evidence to suggest that any structured approach for development of iTISP was used in absence of its documentation. In absence of any documentation, the Directorate could not monitor the development and implementation of the system and was completely dependent on NIC. Non-adoption of structured approach to project development resulted in non-involvement of the users as no User Requirement Specifications (URS) apart from Software Design Document (SDD) were prepared, and each DTO/ TO had to maintain records manually despite implementation of project rendering non-optimal utilization of the available resources acquired at a cost of Rs 6.22 crore.

The Directorate in its reply stated (August 2007) that NIC adopted prototyping and evolutionary model of SDLC in line with Directorate’s culture and low IT literacy rate in the Directorate. The Director, NIC also stated that documents such as User Requirement Specifications (USR), Software Design Document (SDD) were neither required nor prepared under the said model.

The reply is not tenable as non-adoption of the system development life cycle methodology resulted into unsystematic development without the involvement of users and absence of documentation.

### *3.5.7 Implementation of iTISP without testing*

The Directorate is to ensure that only authorised and fully tested application software is placed in operation. Audit observed (March 2007) that the Directorate neither formed any expert group or committee for testing the software nor documented any test data or test reports before its implementation in the field offices. The Directorate in its reply stated (August 2007) that NIC replicated the software in all treasuries after successful testing at two treasuries. The reply is not tenable as the Directorate was to ensure proper testing of software and its documentation through an expert committee before its implementation. Further the Director, NIC admitted in the meeting that there was no documentation regarding test data and test reports to corroborate the claim of the Directorate.

### *3.5.8 Change Management procedures*

Though the software was developed by NIC, and had been implemented by the Directorate in phases since 2001, the Directorate had not prepared a documented procedure to control changes in the software and project documents, record keeping of changes during entire project life cycle and impact analysis of changes during project life cycle and impact analysis of changes incorporated till May 2007.There were no documentation relating to testing of changes made to the system before replication of the software.

The Directorate in its reply stated (August 2007) that a well-defined procedure is followed for change management. Director NIC stated that procedure though followed but no documentation is being done in this regard. In absence of any documentation for change control, it was not possible to ascertain the effectiveness of any procedures that are stated to have been followed.

**Analytical review of data**

*The data captured & processed through iTISP in five treasuries for the period from April 2005 to March 2007 was analysed using IDEA, a Computer Assisted Audit Technique. The major findings showing deficiencies in the database and the functioning of the treasuries are detailed below:*

### *3.5.9 Retention of bills for more than prescribed period.*

The Standing Orders issued by Director Treasury and Accounts envisages that all activities including passing of bills and preparation of cheques should be completed within four days. The four days period include the day on which the bill is presented and the day on which the cheque is prepared. Further no bill should be retained without action in the treasury/ sub-treasury beyond a period of four days of its receipt.

Audit observed (May 2007) that though the software itself was implemented in 2001, it was possible to input the dates from 01-01-1900 and computerised data showed passing of bills even after delay of 54 years due to non-provision of input controls.

The Directorate in its reply stated (August 2007) that bills are passed with in stipulated period of four working days and salary bills, though, received before 20$^{th}$ of each month, are distributed on the last two days of the month.

The reply of the Directorate is not tenable as the delay emanates from wrong dates being entered and accepted by the software due to non-provision of input controls adversely affecting the reliability and accuracy of the data.

### *3.5.10 Irregular functioning of treasury on public holidays*

The Punjab treasury rules under rule 86(3) provides that the treasuries shall be closed for public business only on those days which are notified by Government as public holidays for observance in public offices. Notwithstanding anything contained in Rule 86, the Deputy Commissioner of a district may order the opening of a treasury on public holidays.

During audit (May–June 2007) it was observed that there was no provision in the software to regulate the functioning of the treasuries on public holidays as such three[50] DTOs out of five test checked functioned on public holidays as detailed below:

| Name of district | Activity Involved | No. of bills involved on Saturdays | No. of bills involved on Sundays |
|---|---|---|---|
| Hoshiarpur | Applying Token no. of bills | 5611 | 7 |
| | Passing of bills | 143 | 14 |
| Jalandhar | Applying Token no. of bills | 4037 | 97 |
| | Passing of bills | 474 | 3 |
| Chandigarh | Applying Token no. of bills | 40 | 1 |
| | Passing of bills | 274 | 4 |

The DTO, Chandigarh in its reply (May 2007) stated that due to heavy rush of work the token clerk inadvertently clicked the wrong dates, which happened to be holidays. The Directorate in its reply stated (August 2007) that treasuries as a routine do not accept the bills on public holidays, however, assured the compliance of the rule by imposing restrictions through the software. Regarding clicking of wrong dates by token clerk such type of clerical mistakes would continue to recur due to non-provision of any input controls, affecting the accuracy and reliability of the data in the Software.

### *3.5.11 Non-compliance of standing orders*

As per standing orders, the Assistant dealing with the bills is required to maintain a register of objected bills containing details of the objections raised on a particular bill. All the objections are raised under the signatures of Superintendent at the first opportunity and no piecemeal objection was to be tolerated and the objections raised should be as per prescribed checklist. Punjab Treasury Rules under Rule 192(a) Note 2 further provides that when any objection is revised, the bill or other document should be returned to the claimant.

Audit scrutiny (May-June 2007) of records disclosed that:

- 7135 bills relating to three[51] DTOs were objected in piecemeal during 2005-07 in contravention to the provisions.
- 63963 bills relating to four[52] DTOs for the years 2005-07 were having the objection code ‘E-15’ (others) whereas there were specific objections.
- 1851 bills relating to five[53] DTOs were passed during 2005-06 without

[50] **Chandigarh,Hoshiarpur and Jalandhar.**

[51] **Chandigarh 1881, 383, Hoshiarpur 3493,296 and Jalandhar 960,122 during 2005-06 and 2006-07 respectively.**

[52] **Chandigarh 15322, 7775, Hoshiarpur 9759, 5361, Jalandhar 14941, 8070 and Ropar 68, 2667 during 2005-06 and 2006-07 respectively.**

[53] **Chandigarh 276,187, Hoshiarpur 51,60, Jalandhar 635,134,Ludhiana 253,204 and Ropar 3,48 during 2005-06 and 2006-07 respectively.**

handing over the bills to the claimants, though carrying objection, for removal of objection and resubmission, rather were passed with the same token number in violation of provisions of Treasury Rules.

Thus, absence of adequate checks and controls in the software coupled with non-identification of correct objection code by users and incomplete check lists of objections designed by NIC allowed passing of bills under objections in violation of standing orders.

The Directorate while admitting (August 2007) the lapse assured compliance in future.

### *3.5.12 No DDO code allotment policy was made*

In the application software 'iTISP' there is a master data file designed for capturing the data of operational DDOs in treasuries for monitoring DDO wise budget and expenditure.

Audit scrutiny (May-June 2007) of records of five DTOs revealed that

(i) No mapping of DDOs with the heads, which they were authorized to operate, was done.

(ii) DTOs, (Hoshiarpur, Jalandhar, Ludhiana and Ropar) used even the dummy DDO code "000".

(iii) 753 inoperative DDOs relating to five[54] DTOs were not deactivated from master data file during 2005-07.

The Directorate in its reply stated (August 2007) that NIC would be approached for mapping of DDO codes so that sub treasury can use district DDO codes so that dummy DDO are not used.

**Audit Findings on the Application Controls**

*Application controls are those built in checks in the software, which ensure that transactions are processed according to the rules and regulations governing them. These are absolutely essential to ensure accurate and reliable data. Audit observations with respect to deficiencies in the application controls, are highlighted below:*

### *3.5.13 Lack of validation controls.*

The bills from DDOs are received through messenger, at the token window and the net amount of bill is fed into the system by Token clerk. In further processing, the Assistant on receipt of bill from Token Clerk makes a detailed entry including gross amount and deductions (BT). After the bill is passed a unique voucher number is allotted.
Audit scrutiny (May-June 2007) of records disclosed that

(i) All the five DTOs test checked passed 95 bills during 2005-07 where gross amount was lesser than the net amount due to bugs in the software.

[54] **Chandigarh 142, 156, Hoshiarpur 149,156 and Jalandhar 15, 19, Ludhiana 29,42 and Ropar 10,35 during 2005-06 and 2006-07 respectively.**

(ii) Three[55] DTOs passed 84909 bills during 2005-07 on dates prior to the date of issuance of token number due to lack of validation controls.

Thus, absence of validation control and bugs in the software was indicative of the fact that the software was not tested before implementation, which caused incorrect acceptance of dates rendering the data generated through the software inaccurate and unreliable.

The Directorate in its reply stated (August 2007) that NIC would be asked to provide checks so as to control such mistakes in the software.

### *3.5.14 Acceptance of duplicate bill numbers*

In a computerised environment maintenance of serial number on bills by each DDO while presenting bills for payment to the respective treasuries is essential to prevent duplicate payment.

Scrutiny (May-2007) of records of DTO Chandigarh revealed that during 2005-07 due to non-availability of such input controls in the software 22 bills (20 in 2005-06 and 2 in 2006-07) were passed with duplicate bill numbers. Though, such input controls were provided in 2007-08, yet these were inadequate as two bills were passed with duplicate bill numbers by suffixing/prefixing special characters with bill numbers.

The Directorate while admitting the facts stated (August 2007) that NIC was approached to provide checks in the software to disallow the duplicate bill numbers.

### *3.5.15 Lack of checks for preventing double payments*

PFR Vol. I (Rule 8.13) provides that sub-vouchers above Rs 500 are required to be attached with the contingent bills in support of the claims presented. In IT environment defacing the original document by stamping at the time of computer input in order to check duplicate processing is essential.

During scrutiny (May-June 2007) audit observed that the Directorate vide rule 4.2 of standing orders allowed acceptance of photocopies of sub-vouchers attached to contingent bills in departure from the provisions of PFR, but failed to issue instructions to deface by stamping the original sub vouchers. As such, duplicate payments could not be ruled out in audit.

The Directorate while admitting the facts stated (August 2007) that Standing Order will be amended.

### *3.5.16 Non-mapping of business rules in the software*

The Standing Orders stipulates that the bills should be disposed of strictly in the order of receipt on first come first serve basis and any disturbance of the seriatim would amount to misconduct for the purpose of initiating disciplinary

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[55] **Chandigarh ,Hoshiarpur and Jalandhar.**

action against the defaulting officials. The DTO /TO was also required to ensure that bills are passed strictly in the order of receipt.

Audit scrutiny (May-June 2007) of records of five DTOs revealed that bills were passed by ignoring the seriatim of token as a result of non-mapping of business rule in the application software.

The Directorate in its reply stated (August 2007) that standing orders are followed in letter and spirit, however, some urgent payments on the directions of Court and Finance Department is made on priority. The reply is not tenable as the rule can be mapped in the software so that dealing clerk is not able to break the seriatim unless the bill is objectionable or payment are to be made on priority under the approval of DTO/Superintendent.

### *3.5.17 Establishment of Data Centre at the Directorate.*

NIC brought out (October 2004) an expansion plan to be completed within ten months from the date of approval (October 2004). As per the plan all district treasuries and sub-treasuries were to be linked to a Data Centre at Directorate, Chandigarh through ISDN and PSTN to establish well integrated financial system using web technologies and linkages with external agencies like banks, Finance Department, etc. The data was to be used to generate information for macro level budget monitoring for effective ways and means control. The NIC was also required to map checks and controls in the iTISP, for registration of Pension Payment Orders (PPO), generation of entitlements, capturing of disbursements made by banks and generation of discrepancies between entitlement and disbursement.

Audit observed (March 2007) that though a centre had been set up at Directorate and linked to district treasuries at a cost of Rs 12.93 lakh to receive the data. But this data could not be consolidated at Directorate due to non-availability of required software. Poor ISDN connectivity necessitated updation of master data files at all the 75 locations instead of at Directorate level, leading to scope of error and delay in effecting changes. Audit further observed (June 2007) that despite lapse of two and half years NIC failed to establish linkages with banks as a result of which not only the receipt challans received from banks were manually fed into the system but also led to over payment of Rs 16.74 crore detected by the Directorate itself up to March 2007. Out of this, Rs 15.21 crore was recovered from the banks in piecemeal leaving a balance of Rs 1.53 crore un-recovered. Thus, non-providing of linkage with banks, the Directorate could not register PPOs, generate entitlements, capture disbursements made by banks and detect discrepancies concurrently.

The Directorate in its reply stated (August 2007) that Punjab Government is establishing its own Wide Area Network (PAWAN) and as soon as it is established the matter regarding connectivity with banks and other organisations will be possible.

### *3.5.18 Procedure in issuance of cheques*

As per Standing Orders issued by Directorate, duplicate cheques are issued when the original cheque is reported to have been lost or destroyed. A fresh cheque shall be issued in lieu of lost /destroyed cheque by giving a cross-reference on counterfoil of lost/destroyed cheque as well as on the counterfoil of fresh cheque to be issued.

Audit observed (June 2007) that no one to one link between cancellation of original cheque and fresh cheque issued in lieu of original cheque was provided in the software by NIC. Software also did not include the sub-module to computerize record relating to fresh cheques issued in lieu of cancelled cheques.

The Directorate while admitting (August 2007) the facts stated that NIC has been requested to do the needful.

**Major Audit Findings on General Controls.**

*General controls are the policies and procedures, which govern the environment in which Information Technology is used in an organisation. The deficiencies noticed by audit are given below:*

***3.5.19 Lack of IT security policy***

The Directorate had not formulated and documented any IT security policy regarding the security of IT assets, software and data security even after six years of implementation of iTISP.

The Directorate while admitting (August 2007) the facts stated that Department of Information Technology, Punjab (DOIT) has been approached for preparation of IT-Security policy.

***3.5.20 Non -provision of Audit Trail***

Audit trail is incorporated into an IT System for tracing an item from input through its final stage and depicts the flow of transaction at every point of processing up to the output stage.

Scrutiny of software (March 2007) disclosed that:

(i) Directorate failed to include the audit trail options to capture details of terminal logon, start up time, activities of users, etc. in the iTISP.

(ii) No system administration register and daily activity register was maintained.

Due to non-provision of audit trail in the software the Directorate could neither entrust the periodic review of audit trail to any responsible officer nor could documented procedure be evolved for regular monitoring of audit trail/logs to watch deviations in access trends and to ensure compliance of instructions relating to system security.

The Directorate in its reply stated (August 2007) that NIC has initiated the action for incorporation of audit trails.

***3.5.21 Manpower management***

The Management, in a computerised environment, must ensure that organisation has competent and trustworthy data management personnel because IT personnel aware of control weaknesses may alter transaction/ data with an ulterior motive.

Audit scrutiny, revealed that;

1. Directorate had not prepared any organizational policy for clearly segregating duties of its officers/officials working in computerised

environment.

2. The Directorate had not deployed the skilled regular staff rather it was solely dependent on the contractual staff and NIC for maintenance of the software posing a threat to the integrity and security of the data.

The Directorate in its reply stated (August 2007) that no new staff is appointed as the existing staff has been trained to operate the computer systems and for IT Managerial staff Finance Department would be approached for creation of post of System Analyst.

### *3.5.22 Physical and logical access controls*

Application Software and data should be protected from unauthorized alteration by the use of appropriate physical and logical access controls. Physical controls include restriction on entry of unauthorized persons to the client's site, buildings, computer rooms and each piece of IT whereas Logical access controls are restrictions imposed by the computer software.
Audit scrutiny (May-June 2007) of five DTOs revealed that the Directorate failed to restrict entry of unauthorized persons to the server room/client site

1. The server room at Hoshiarpur had no door and the room was not fully covered with the walls.
2. The server room at Chandigarh was also not isolated with a view to restrict entry of unauthorized persons to the server room.

Scrutiny (May 2007) of records of DTOs Chandigarh revealed the following discrepancies indicating logical access risks;

1. Five similar passwords were being used by 16 users, as there was no password policy in vogue.
2. Passwords of two or four characters were being used by the users against requirement of eight digit alphanumeric characters.
3. The software had no inbuilt arrangement for compulsory changing of password after a specified period.

Absence of physical and logical access control policy may attract unauthorized uses and poses threat to the integrity and security of the data and system as a whole.

The Directorate while admitting the facts stated (August 2007) that DTOs have been instructed to restrict the entry of unauthorized persons/outsiders in the server room and NIC has been requested to provide guidelines for making password policy.

### *3.5.23 Internal Audit in computerised treasuries*

Internal Auditors have an important role in protecting the IT Systems by detecting deviations in prescribed procedure, identifying threats to information system, suggesting safeguards for timely rectification. One Deputy Director at the Directorate is responsible for Internal Inspection of Treasuries.

Audit observed (June 2007) that neither Internal Inspection Teams were trained in iTISP nor new methodology of audit in the computerised environment was devised by the Directorate. As such, no internal audit of IT System was conducted.

The directorate while admitting the facts stated (August 2007) that detailed guidelines have been issued to Internal Audit staff regarding inspection of treasuries.

### *3.5.24 Lack of disaster recovery and business continuity plan*

The iTISP being a critical system, it was necessary to evolve a Business Continuity and Disaster Recovery Plan encompassing documented procedures for back-ups, restoration, anti virus mechanisms, redundancy, etc. It was observed in audit that the Directorate failed to formulate and document disaster recovery policy, causing;

1. Backups being taken in test checked treasuries at irregular intervals
2. Non testing of stored backups was being done to check data restoration.
3. Non-storing of backup data off site in fire proof cabinets.
4. Non-formulation of anti virus policy.

The directorate in its reply stated (August 2007) that DOIT would be approached for guidelines on disaster recovery.

### *3.5.25 Conclusion*

Though the Directorate implemented iTISP in phases since April 2001 and spent Rs 6.22 crore on computerisation till 2007, yet it could not complete computerization of all the sub treasuries. Inadequate input controls led to passing of bills, without removal of objections, with duplicate bills numbers, on dates prior to the date of its receipt and ignoring chronological order. Lack of input/validation controls adversely affected the reliability and accuracy of the data. There existed no password and IT security policy to safeguard data and system. Disaster recovery and business continuity plan and back up policy were also not in vogue. As envisaged, linkages of treasuries and Directorate with banks and Finance Department was also not achieved causing manual feeding of challans and updation of master files in district treasuries and sub treasuries thereby defeating the major objectives of computerisation.

### *Recommendations*

- The remaining sub-treasuries should be computerised on priority.
- The directorate should get the software updated by incorporating input controls and test these changes before implementation.
- The directorate should formulate well-defined IT security, password and data back-up policy besides disaster recovery plan.
- The task of linking of treasuries with the banks and Finance Department is of utmost importance so as to minimize manual inputs and optimize the benefits of computerisation.