CHAPTER-IV

AUDIT OF TRANSACTIONS

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

4.1 Loss to State exchequer

RESEARCH AND MEDICAL EDUCATION DEPARTMENT

4.1.1 Loss to State exchequer of Rs 28.51 lakh

Short charging of blood processing fee from private hospitals and nursing homes resulted in loss of Rs 28.51 lakh to State exchequer

The Government of India, Ministry of Health and Family Welfare (National Aids Control Organization), New Delhi (GOI) instructed (January 2006) all the Project Directors of the State Aids Control Societies that in cases where blood and blood components are issued by Government and voluntary blood banks to private hospitals/nursing homes, full processing charges at the rate of Rs five hundred per unit of blood be realised from them. Accordingly, the Project Director, Punjab State Aids Control Society, Chandigarh (Director) circulated (January 2006) these instructions to the Principals of Medical Colleges in the State and Civil Surgeons of all the Districts to recover service charges applicable to Government and private blood banks.

Scrutiny of records (March 2008) of the Medical Superintendent, Sri Guru Teg Bahadur Hospital, Amritsar (Hospital), attached with the Principal, Government Medical College, Amritsar disclosed that two[1] blood banks were catering to the needs of blood of patients admitted to the Hospital besides issuing blood to private hospitals and nursing homes on payment basis. It was further, noticed that these two blood banks issued 16772 units[1] of blood to the private nursing homes and hospitals during the period February 2006 to January 2008 at the rate of Rs 330 per unit instead of Rs 500 per unit in violation of instructions of GOI. Thus, failure of the department to implement the instructions of GOI regarding charging of blood processing fee at revised rates from private hospitals/nursing homes resulted in loss of Rs 28.51 lakh to State exchequer.

On being pointed out (March 2008), the Medical Superintendent of the Hospital stated that the instructions had not been received in the institution. The reply was not acceptable as Government Medical College, Patiala had implemented the same during the period after the receipt of these instructions.

The matter was referred to Government (March 2008); reply has not been received (July 2008).

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[1] **Blood Bank Sri Guru Teg Bahadur Hospital, Amritsar: 9562 units and Guru Nanak Dev Hospital, Amritsar: 7210 units**

4.2 Infructuous/wasteful expenditure and overpayment

IRRIGATION AND POWER DEPARTMENT

4.2.1 Overpayment

Overpayment of Rs 87.55 crore due to irregular counting of special increments granted to work charged employees in violation of Government instructions

The instructions issued (1968) by Punjab Government read with a clarification dated March 2006 provided that advance/special increments as an incentive to work charged employees were withdrawn in August 1968 and were not to be taken into account as pay for pensionary benefits. In December 1999, Government of Punjab ordered that recovery be made immediately and wrong fixation of pay of the employees corrected.

Scrutiny of records (May 2005) of divisions and Financial Advisor and Chief Accounts Officer (FA & CAO) of Ranjit Sagar Dam (RSD), Shahpur Kandi Projects and information collected subsequently in October 2007 revealed that the Chief Engineer, RSD, Irrigation Works, while regularising (March, 1996) the services of work charged employees of 15 divisions ordered (November 1996) that pay of each workman be fixed on the basis of pay drawn as on 13 March, 1996 by including all special increments. The Chief Engineer's orders, issued in contravention of the Government instructions, resulted in overpayment of Rs 87.55 crore to 9074 workmen out of which 2473 had already retired as on February 2008.

On being pointed out in March 2003 and May 2005, the State Government though stayed (November 2006) the recoveries of excess payment made on that account, but instructed in January 2008 to take immediate action to re-fix the pay of those employees within a month, so as to avoid the recurring loss to the state exchequer.

Thus, lapse on the part of the project authorities initially to order inclusion of advance increments while fixing the pay on regularisation of work charged employees in disregard to the Government instructions and then allowing extension of the recurring benefits resulted in overpayment of Rs 87.55 crore.

The matter was referred to Government in February 2008; reply has not been received (July 2008).

INDUSTRIES AND COMMERCE DEPARTMENT

4.2.2 Inadmissible/excess payment

Non-adherence to the provisions of the Industrial Investment Code and incorrect computation of FCI resulted in inadmissible/excess payment of investment incentive (capital subsidy) of Rs 82.96 lakh

(a) With a view to attract fresh industrial investment and to promote growth of industry in the State, the Government introduced various incentives under the Industrial Policies of 1992 and 1996 regulated under respective

Industrial Incentive Codes (Codes). Incorrect payment of investment incentive (capital subsidy) under Industrial Incentive Code 1992 made to units which neither had land in their name nor any lease deed executed in their favour, in contravention of the provisions of the industrial policy was pointed out in para 3.1 (c) (i) of the CAG's Audit Report for the year ended 31 March 1997. The Public Accounts Committee observed (March 2004) *interalia* that the investment incentive had been given incorrectly.

Audit scrutiny (October/November 2007) of records of Director of Industries Punjab, Chandigarh disclosed that this irregularity still persisted. Investment incentive (capital subsidy) of Rs 66.96 lakh was again given (April 2007) to six units, ***(Appendix 4.1)*** which neither had their own land and building nor possessed lease deed in their favour for prescribed period of not less than ten years in contravention of provisions of Codes.

Thus, the non-adherence to the provisions of the codes resulted in inadmissible payment of investment incentive (capital subsidy) of Rs 66.96 lakh.

(b) As per provision of 6.1 (b)-II of Industrial Incentive code (Code) under Industrial Policy 1996, capital subsidy at the rate of 30 *per cent* and 20 *per cent* of fixed capital investment (FCI) (depending upon area) was admissible to eligible Industrial units. The FCI was to form the sum total of investment made on land, building, plant & machinery and certain other items restricted to project cost as approved by the financial institution. Investment made on construction of labour quarters, purchase of old and used machinery and installation charges etc. were, however, not to be considered for computation of FCI.

Scrutiny (October/November 2007) of the records of Director of Industries, Punjab revealed that contrary to provisions of Code, in case of eight firms, the investment made on construction of labour quarters, (Rs 9.31 lakh) purchase of old and used machinery (Rs 15.05 lakh) and installation charges (Rs 33.39 lakh) was included in the FCI. Consequently Rs 2.40 crore were paid against total payable capital subsidy amounting to Rs 2.24 crore. Failure of department to work out FCI, as per provisions of Code, resulted in excess payment of capital subsidy of Rs 16 lakh. The Director did not respond to audit during local audit (October/November 2007).

The matter was referred to Government (January and February 2008); reply has not been received (July 2008).

RESEARCH AND MEDICAL EDUCATION DEPARTMENT

4.2.3 Excess payment of electricity bills

Inaction on the part of the department to get the tariff plan changed from the PSEB despite reply to the PAC not only resulted in excess payment of Rs 81.19 lakh but also misled the PAC

As per para 87.1.1 of Electricity Supply Regulations of Punjab State Electricity Board (PSEB), educational institutions should be charged at domestic supply (DS) rates for supply of electricity. Since medical college hospitals are attached with medical colleges excess payment of electricity bills amounting to Rs 1.31 crore due to application of non-residential supply (NRS) rates instead of DS rates was pointed out in paragraph 3.2.9.3 of the Comptroller and Auditor General of India's Audit Report (Civil)-Government of Punjab, for the year ended 31 March 1998.

The Public Accounts Committee (PAC) discussed the paragraph and decided not to pursue in view of reply of the Department as the Department stated (May 2002) that the PSEB had started charging DS rates w. e. f. 1 May 1998 instead of NRS rates.

Scrutiny of records (March 2008) of the Medical Superintendent, Sri Guru Teg Bahadur Hospital, Amritsar (MS) disclosed that despite Department's reply (May 2002) to the PAC that PSEB had started charging domestic tariff w.e.f. 1 May 1998 the payment of electricity bills was still being made at NRS rates instead of DS rates. Thus, continuance of payment of electricity bills on NRS rates resulted in excess payment of Rs 81.19 lakh during March 2002 to December 2007.

On being pointed out, the Medical Superintendent stated (March 2008) that the matter had already been taken up (June 2006, July 2006 and November 2007) with the PSEB and outcome would be intimated later on. The reply was not in accordance with the Department's submission to PAC in May 2002. Thus, inaction on the part of the Department to get the tariff plan changed from the PSEB despite their submission to the PAC not only resulted in excess payment of Rs 81.19 lakh but also amounted to misleading the PAC.

The matter was referred to Government (April 2008); reply has not been received (July 2008).

PUBLIC WORKS DEPARTMENT
(BUILDINGS AND ROADS BRANCH)

4.2.4 Infructuous expenditure

Action of the EE to get the SDBC work done instead of patch work on the road already approved for upgradation under PMGSY resulted in infructuous expenditure of Rs 36.46 lakh

The Executive Engineer, Provincial Division, PWD, B&R, Nawanshahar (EE) submitted (March 2006) a proposal to upgrade Banga-Garhshankar road (KM 0 to 9.33) under Pradhan Mantri Gram Sadak Yojna (PMGSY). The State level standing committee under the Chairmanship of the Chief Secretary cleared the proposal for Rs 4.58 crore in its meeting of June 2006.

Scrutiny of records (June 2007) of the EE disclosed that the EE submitted another estimate in May 2006 for laying Semi-Dense Bituminous Concrete (SDBC) on the same road (annual repair to Banga-Garhshankar road Km 0 to 9.33) to the Chief Engineer (CE). The CE accorded (July 2006) technical sanction to the estimate at a cost of Rs 92.81 lakh. The EE allotted (July 2006) the work to a contractor at a tendered cost of Rs 82.57 lakh with a time limit of two months. After spending Rs 38.20 lakh on patch work (Rs 1.74 lakh) and on laying SDBC (Rs 36.46 lakh) on four km stretch, the EE on realization, that this road was already covered under PMGSY, suspended (September 2006) the work of laying SDBC and allotted (August 2007) the work of upgradation under PMGSY for Rs 3.94 crore. The work of upgradation was in progress and expenditure of Rs 1.68 crore has been incurred (February 2008).

The decision of the CE and EE to award the work of laying SDBC instead of getting only patch work done to keep the road traffic worthy, as proposed by EE (September 2006) itself after sanction of upgradation under PMGSY, led to an infructuous expenditure of Rs 36.46 lakh.

On it being pointed out (November 2007 and February 2008), the EE intimated (February 2008) that the work was started on demand of the public and civil administration. The reply was not tenable because EE ignored the fact that the road had been proposed for upgrading under PMGSY at the time of award of work of annual repairs and got the SDBC laid in a hasty manner which led to an infructuous expenditure of Rs 36.46 lakh on four out of the 9.33 KM stretch.

The matter was referred to Government (November 2007); reply has not been received (July 2008).

4.2.5 Unfruitful expenditure

Starting work without the provisions of public health utilities, electrical installations and developmental works in the estimate led to unfruitful expenditure of Rs 31.46 lakh incurred on the incomplete civil work

Additional Deputy Commissioner (Development), (ADC (D)) Roopnagar accorded (November 2004) administrative approval for Rs 35 lakh for construction of Senior Secondary School for Boys at Roopnagar, on the basis of estimate submitted by Education Department containing provision of civil work only. Rs 35 lakh were released (November 2004) by the ADC (D) to Executive Engineer, Construction Division, Roopnagar (EE) for execution of work.

Scrutiny of records of EE revealed (October 2007) that the work was awarded (June 2005) to a contractor at the tendered cost of Rs 31.20 lakh. The work was to be completed within nine months. An expenditure of Rs 31.46 lakh was incurred on the work upto March 2007. The work was stopped after laying one-third area of roof as the structural drawings were not approved by the department. The EE had to revise (November 2006) the estimate to Rs 71.40 lakh to include, provisions of public health utilities such as drinking water facility, toilets, etc., electrical installations and developmental works such as internal roads, footpath, kerb channels, etc. This estimate was again revised to Rs 104.38 lakh (September 2007) due to increase in rates. The revised sanction is still awaited (July 2008). No funds have been received after November 2004 for the completion of work. After incurring an expenditure of Rs 31.46 lakh the work was lying incomplete since March 2007.

Thus, starting of work on the basis of estimate without the provision of public health utilities, electrical installations and developmental works rendered the expenditure of Rs 31.46 lakh incurred on the work as unfruitful.

On being pointed out (October 2007) the EE admitted (January 2008) that work was stopped due to non-receipt of funds. The reply of the department was not tenable as the department undertook the execution of work on the basis of a faulty estimate, which lacked the provision of basic items of public health utilities, electrical installations and other developmental works.

The matter was referred to Government (February 2008); reply has not been received (July 2008).

RURAL DEVELOPMENT AND PANCHAYATS DEPARTMENT

4.2.6 Wasteful expenditure

Unrealistic proposal without survey resulted in wasteful expenditure of Rs 33.24 lakh and non-availment of balance central assistance of Rs 1.11 crore

To tackle the unemployment problem and uplift the below poverty line (BPL) families, Punjab Government submitted (2000-01) a proposal to Government of India (GOI) for setting up a 'Carpet Weaving Training-cum-Production Centre' in Amritsar at a cost of Rs 3.07 crore[2]. While preparing the proposal the Department observed that no risk was involved as there was a great demand of good quality hand-knitted carpets in foreign markets and many trained weavers were engaged in this local industry. On the basis of the proposal of the Department, GOI accorded (April 2001) administrative approval to the project on cost sharing basis between the GOI and the Punjab Government (75:25). The project was to be completed within two years from the date of sanction i.e. by April 2003. Under the scheme 24 Carpet Weaving Training-cum-Production Centres were to be set-up in which 72 Self Help Groups (SHGs) were to be given 12 months extensive training in weaving, washing and finishing. Thereafter these centres were to be converted into production centres. The GOI released Rs 1.16 crore (April 2001) as the first installment of its 75 *per cent* share to District Rural Development Agency, Amritsar (DRDA), the implementing agency. The Punjab Government also released (August 2001) its own share of Rs 38.63 lakh. The second instalment was to be released on utilization of 60 *per cent* of amount already released.

Scrutiny (October 2007) of records of Additional Deputy Commissioner (Development), Amritsar (ADC) revealed that the DRDA got 10 sheds constructed at a cost of Rs 33.24 lakh (Rs 5.28 lakh of Central Share, Rs 1.76 lakh of State Share and Rs 26.20 lakh of interest earned on funds released by GOI and Punjab Governments) during 2001-03 for the purpose of training-cum-production centres. Before commencing any training/weaving work an experts meeting was held in October 2003, by the ADC, Amritsar to review the project. After detailed deliberations a decision was taken to abandon the project and it was finally wound up (July 2007). The reasons as opined by the experts were that the project was not viable as carpets manufactured would not fetch any demand in foreign markets due to poor quality of dye, child labour

[2] **Infrastructure Development: Rs 1.13 crore; Training: 0.67 crore; Revolving funds: 0.07 crore and Subsidy: 0.79 crore; Marketing supports: 0.41 crore.**

being used in production and non-availability of skilled labour due to low wages being offered.

The unspent balance amounting to Rs 1.48 crore (Rs 1.11 crore central share and Rs 0.37 crore State Share) was refunded (September 2007) to GOI/State Government. The 10 sheds already constructed are lying unused.

Thus, submission of unrealistic proposal without proper survey resulted in wasteful expenditure of Rs 33.24 lakh. It also could not generate the objective of providing skills to the unemployed BPL families.

On being pointed out in audit, ADC admitted the facts (November 2007).

The matter was referred to Government (February 2008); reply has not been received (July 2008).

4.3 Undue favour to contractors and avoidable expenditure

PUBLIC WORKS DEPARTMENT
(BUILDINGS AND ROADS BRANCH)

4.3.1 Avoidable expenditure due to allotment of work at higher rates

Non-finalisation of bid within its validity period led to allotment of work to second lowest bidder causing avoidable expenditure of Rs 13.20 crore

The Government of Punjab (GoP) secured a loan from the International Bank for Reconstruction and Development-a unit of World Bank (WB) towards the cost of Punjab State Road Sector Project (Project) and intended to apply part of the loan on the upgradation of Kharar-Banur-Tepla Road (work). GoP was Project Implementing Entity (PIE) represented through the Chief Secretary, and the PIE was to carry out the project through Punjab Road and Bridges Development Board (PRBDB).

Scrutiny of records (February 2008) of Executive Engineer, Central Works Division, Mohali (EE) disclosed that bids for the work estimated for Rs 114.18 crore were invited in October 2006 with last date for receipt on 29 November 2006, valid for 120 days i.e. upto 30 March 2007. Out of the eight bids received, the lowest bid (L-1) was for Rs 95.78 crore. The Tender Evaluation Committee[3] (TEC) initially took 32 days (29.11.2006 to 31.12.2006) to examine the bids. After examination of the bids, EE took 14 days (3.1.2007 to 16.1.2007) to examine the recommendation of the TEC and then to got certain clarifications on the bid from the L-1. Thereafter, the TEC took another 60 days (16.1.2007 to 15.3.2007) to evaluate the clarification received from L-1. Finally, on the recommendation of the TEC to award the work to L-1, PRBDB sought “no objection” from the WB for award of work to the L-1 on 17 March 2007 and requested all the tenderers on 28 March 2007 to extend the period of validity of their bids up to 18 May 2007. L-1, however, conveyed its inability to extend the validity on 29 March 2007. On receipt of refusal from the L-1,

[3] **Comprising of concerned EE, one EE representing CE, one EE representing Chief Vigilance Officer, Deputy Project Director PRBDB and Consultant Finance.**

the TEC evaluated the bid of the second lowest (L-2) and awarded the work to the L-2 on 12 July 2007 at a cost of Rs 108.98 crore after receiving the “no objection” from the WB. The agreement was executed in August 2007 and an expenditure of Rs 21.66 crore had been incurred up to June 2008 out of which Rs 10.90 crore is the mobilisation advance to the contractor. The physical progress is three *per cent*.

On being pointed out (February 2008) the EE, intimated that the L-1 did not submit the performance guarantee within the stipulated period as such the L-2 was awarded the work as per conditions of the Contract. As no negotiations were carried out with the L-2, the work was allotted at the rates quoted. The reply of the EE was not relevant, as the event of furnishing of performance guarantee arises only on award of the work. On this being pointed by Audit, for furnishing misleading reply to the Audit, the PRBDB has now called for (July 2008) the explanation of the EE. The PRBDB in its reply (June 2008) attributed the delay to the imposition of model code of conduct during general election of legislative assembly. The reply of the PRBDB is not tenable as the Election Commission of India, imposed the code on 29 December 2006 i.e. after receipt of tenders. Government of Punjab took up the case with the Election Commission in January 2007 and the approval to the Project was received on 14 February 2007 i.e. before expiry of original bid validity. As such the imposition of code, in no way, restricted the processing/finalisation of bids.

Thus the failure of PIE in finalising the bid within the original validity period of bids led to avoidable expenditure of Rs 13.20 crore (Rs 108.98 crore– Rs 95.78 crore) on account of allotment of work at higher rates to L-2.

The matter was referred to Government (March 2008); the reply has not been received (July 2008).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.3.2 Extra burden of Rs 11.83 crore

Delay on the part of the Government of over six years in identifying the agency for commercial exploitation of land led to incurring of an extra expenditure of Rs 11.83 crore as interest

The Government Mental Hospital, Amritsar (Hospital) established in 1948 on 86 acres (approx.) land had gradually deteriorated with the passage of time. The State Government decided (January 2001) to construct a 450 bedded hospital on the existing premises to be called the 'Institute of Mental Health' (IMH). The Government entrusted this project to Punjab Health Systems Corporation (PHSC) and transferred (January 2001) the control of Hospital along with its buildings, land and assets and liabilities to the PHSC for implementation of the project.

Scrutiny of the records of the PHSC revealed (December 2007) that PHSC commenced the work of IMH in May 2001 and arranged a term loan of Rs 40 crore from Punjab and Sind Bank in August 2001 by mortgaging the land measuring 455 kanal and 15 marla (56.97 acre) out of which loan amounting to Rs 32.94 crore was actually drawn during August 2001 to July 2003. The loan along with interest of Rs 8.12 crore was to be fully repaid by the end of financial year 2005-06, and it was to be repaid from the funds generated by the commercial exploitation of surplus land. Accordingly the PHSC approached (September 2003) the Punjab Urban Development Authority (PUDA) but PUDA conveyed (February 2004) its inability on the plea that the project of commercial exploitation of land was techno-economically unviable. Thereafter, the PHSC, proposed (November 2004) to Government to engage the Punjab Police Housing Corporation (PPHC) for commercial exploitation of available surplus land. However, the Government neither agreed to this proposal nor identified any other agency upto November 2005, when the Government entrusted this work to PUDA. Thereafter, the PHSC and PUDA entered into (December 2006) an agreement for disposal of surplus land. As per provisions of agreement, 16.65 acre of land was transferred (March 2007) in the name of PUDA who released to PHSC (between March 2007 and May 2007) Rs 37.05 crore, adjustable after disposal of the site, towards full and final settlement of pending term loan. The term loan was fully repaid/settled in June 2007. However, commercial exploitation of land could not materialise (July 2008). Thus, delay of six years on the part of the Government in identifying the agency for commercial exploitation of surplus land led to incurring of an extra expenditure of Rs 11.83[4] crore as interest on delayed repayment of term loan.

On being pointed out (May 2008) in audit, the Managing Director of PHSC admitted (June 2008) the facts that delayed repayment of loan resulted in extra expenditure on account of interest.

The matter was referred to Government (March 2008); reply has not been received (July 2008).

PUBLIC WORKS DEPARTMENT
(BUILDINGS AND ROADS BRANCH)

4.3.3 Non-recovery of liquidated damages

Failure to adhere to contract clauses led to non-recovery of liquidated damages and compensation amounting to Rs 2.39 crore

The Executive Engineer, Central Works Division No. 3, Ludhiana (EE) on behalf of Punjab Infrastructure Development Board (PIDB) invited tenders (August 2000) for the work "Construction of High Level Bridge over Sutlej river and five small bridges including Guide Bunds and approaches on Khanna–Samrala–Machhiwara–Rahon–Nawanshahar road". The work was awarded (February 2001) to the lowest tenderer at a cost of Rs 31.84 crore with the time limit of 18 months (up to August 2002). As per clause 1 of the agreement, security at the rate of five *per cent* was to be progressively deducted in all bill payments. This security was convertible into fixed deposit receipts pledged in favour of Engineer-in-charge by designation. Clause 2 (a) of the agreement provides that if the contractor fails to achieve progress of work as per time schedule, liquidated damages limited to maximum five *per cent* of the amount of contract shall be levied. Clause 3 of the agreement

4 **Interest to be paid: Rs 8.12 crore; Interest actually paid: Rs 19.95 crore; Extra payment of interest: Rs 19.95 crore – Rs 8.12 crore = Rs 11.83 crore.**

further provides that if contractor commits breach of contract under any of its clauses, he shall be liable to pay a compensation of five *per cent* of the amount of contract as penalty. Liquidated damages and compensation for breach of contract under both the clauses (2 (a) & 3) shall be limited to 7.5 *per cent* of the amount of the contract.

Scrutiny of records (November 2007) of the EE revealed that Rs 23.34 crore were paid to contractor up to 86th running bill (October 2005) but the contractor could not complete the work inspite of being granted extensions from time to time up to 30 June 2005. Due to slow progress of the work, EE withdrew some items of work in June 2006 and by invoking clause (2) of agreement sent a proposal to CE for termination of the contract agreement. The EE also levied (February 2007) liquidated damages and compensation amounting to Rs 2.39 crore (7.5 *per cent* of contract value) under clause 2 (a) & 3 of the contract agreement.

The amount of liquidated damages/penalty could not be recovered from the contractor due to the reasons that (i) the department failed to get the bank guarantee of Rs 1.60 crore revalidated beyond 11 December 2005; (ii) the FDRs of Rs 1.01 crore, accepted by the EE in lieu of security, carried the condition of crediting the interest on FDRs in the account of contractor till its maturity (August 2016), due to which, the Banking Ombudsman (Banking Lokpal) showed its inability (August 2007) to get the FDRs encashed till its maturity.

Thus, the failure of the EE to get performance guarantee revalidated and accept conditional FDRs resulted in non-recovery of Rs 2.39 crore on account of liquidated damages/compensation. It was also not understood how the Bank permitted this condition when the FDRs stood in favour of the EE. This tantamounts to the EE's having extended undue benefit to the contractor.

On being pointed out (November 2007), the EE intimated (July 2008) that it was seen from the tentative final bill that it would cover the recovery of Rs 2.39 crore. The final bill, however, is yet to be passed and the recovery effected. The EE has also not intimated the amount of the bill.

The matter was referred to Government (March 2008); reply has not been received (July 2008).

AGRICULTURE/IRRIGATION AND POWER DEPARTMENT

4.3.4 Non-recovery of departmental charges

Non-recovery of departmental charges amounting to Rs 74.63 lakh

(a) According to the Financial Rules[5], departmental charges (DC) are leviable at the rate of 27.5 *per cent* on deposit works undertaken by any Government department on behalf of any local body or other parties. Remission of these charges is not permissible except with the approval of the Finance

5 Rule 7.131 of DFR read with Paragraph 8 of Appendix 2 (amended) and Rule 2.10 (a) (i) of Punjab Financial Rules volume 1.

Department. Punjab Mandi Board (PMB) had also adopted these Departmental Financial Rules and common schedule of rates for execution of works.

Despite this irregularity having pointed out through earlier Audit Reports (Para 4.2.2 of 2004-05 and Para 4.3.7 of 2006-07), audit scrutiny of the records of the Executive Engineer, Bathinda Canal Division, Bathinda (EE) disclosed (February 2008) a similar case. A Sullege Carrier Channel (SCC) of 16 cusecs capacity flows between two irrigation channels, the Bathinda Distributory (RD 37350 to 45600) and Bhawanigarh Minor (RD 0-24575). The Commissioner, Municipal Corporation (MC), Bathinda deposited Rs 2.21 crore (January & June 2006) with the Division to increase the capacity of existing SCC from 16 cusecs to 60 cusecs to accommodate increased sewerage discharge due to increase in habitation.

Chief Engineer, Irrigation Works, Punjab, Chandigarh, while approving (August 2005) the estimate for remodeling/rehabilitation of SCC amounting to Rs 2.21 crore did not levy DC on the plea that SCC shared common banks with the two channels (Bathinda Distributory and Bhawanigarh Minor channels) of Irrigation Department as it runs in between both the Irrigation Channels.

The work was commenced in March 2006, and against deposit of Rs 2.21 crore, an expenditure of Rs 2.12 crore was incurred up to July 2006 but neither the approval of the FD was obtained for remission of DC nor DC on the value of work executed (Rs 2.12 crore) on behalf of MC was levied or recovered resulting in non-recovery of DC amounting to Rs 58.36 lakh.

On being pointed out (February 2008) the EE/SE, reiterated (June 2008) that DC had not been levied as the banks of SCC were common with the Bathinda Distributory and Bhawanigarh minor. Hence the common banks were raised and strengthened with MC funds along with increasing the capacity of the SCC. After increasing the capacity of the SCC to 60 cusecs the full supply level would be higher than the irrigation channels. The polluted water could overflow into the irrigation channel. This would lead to pollution of the water, which was also used for drinking purposes. The reply was not tenable because the common banks of the Irrigation Channels had to be raised as a result of increasing the capacity of the SCC at the behest of MC. Hence the DC amounting to Rs 58.36 lakh should have been recovered.

(b) Scrutiny (November 2007) of records of Executive Engineer, (PMP Division) PMB, Chandigarh (EE) disclosed that Director General, School Education Board, Punjab ICT Education Society (Society) assigned (November 2006) two[6] works estimated at Rs 1.39 crore to EE for execution. The EE made provision of five *per cent* departmental charges instead of 27.5 *per cent*. The EE commenced the work (between December 2006 and July 2007) and an expenditure of Rs 59.18 lakh was incurred (January 2008) but the departmental charges of Rs 16.27 lakh were not levied on the society.

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[6] **Establishment of studio at Punjab School Education Board, Mohali, (Estimate cost: Rs 38.54 lakh) and construction of Microsoft Academy at Sr. Secondary School, Phase III, Mohali (Estimate cost: Rs 100.34 lakh).**

Even the departmental charges levied at the rate of five *per cent* in the estimates, were not recovered by the PMB.

On being pointed out (November 2007), the EE stated that provision of five *per cent* departmental charges was made in the estimate on adhoc basis, technical sanction to which was given by Chief Engineer, PMB. Chief Engineer PMB stated (February 2008) that the Secretary, PMB approved (July 2006), the provision of departmental charges at the rate of five *per cent* on the plea that Mandi Board was also executing its own works along with these works and no additional staff was engaged for this work. The reply was not tenable because as per Departmental Financial Rules, 27.5 *per cent* departmental charges were leviable on deposit works executed by PMB. The execution of its own works along with deposit works has no bearing on the rate of departmental charges to be levied.

The matter was referred to Government (December 2007 and March 2008); reply has not been received (July 2008).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.3.5 Avoidable expenditure on compensation

Failure of the Corporation to obtain exemption or to get vehicles insured in accordance with provisions of the Act caused it to incur avoidable expenditure of Rs 45.17 lakh

Section 146 (1) of Chapter XI of the Motor Vehicles Act, 1988 (Act) prohibits use of a motor vehicle in a public place without an insurance policy except when the appropriate Government may, by order, exempt from the operation of sub-section (1) any vehicle owned by any of the following authorities, namely: (a) Central Government or a State Government; (b) any local authority and (c) any State transport undertaking. However, the State Government exempted (June 1989) the vehicles owned by the State Government only and used for Government purposes unconnected with any commercial enterprise.

Security of records (November 2007) of the Managing Director, Punjab Health Systems Corporation, Mohali (Corporation) disclosed that neither the Corporation had obtained exemption under the sub-section of the Act nor got its vehicles insured in accordance with the rules *ibid*.

Three of the corporation owned vehicles were involved in five accidents. Consequently affected persons/families (third parties) filed five petitions (between November 1999 and May 2005) against the Corporation in the Motor Accident Claims Tribunals (MACT). MACT decided these cases (between September 2004 and December 2006) against the Corporation and awarded compensation of Rs 37.01 lakh to the affected persons/families. Corporation paid compensation of Rs 37.01 lakh (between May 2006 and March 2007) alongwith interest amounting to Rs 8.16 lakh from the date of filing of petitions to the date of payment.

Thus, failure of the Corporation to get the vehicles insured in accordance with provisions of the Act caused it to incur avoidable expenditure of Rs 45.17 lakh.

On being pointed out in audit, the Corporation stated (November 2007) that the vehicles were not got insured under the impression that the Government vehicles were exempted from the necessity of insurance as per notification issued by the Government in the year 1989. The plea of the Corporation was not acceptable as the said notification exempted only the vehicles owned by the State Government and used for government purpose unconnected with any commercial enterprise.

The matter was referred to Government (May 2008); reply has not been received (July 2008).

4.4 Idle investment/idle establishment/blocking of funds, delays in commissioning, diversion/mis-utilisation of funds

PUBLIC WORKS DEPARTMENT
(BUILDINGS AND ROADS BRANCH)

4.4.1 Blockade of funds

Non-submission of structurally sound proposal and delay in finalising the design of foundations resulted in blockade of Rs 2.55 crore

As per Para 2.4 & 2.5 of PWD Code, it is necessary to obtain the administrative approval of the department concerned before technical sanction to the work is accorded. Such approval should not, however, be accorded until the professional authorities have intimated that the proposals are structurally sound and that preliminary estimate is sufficiently correct for the purpose.

Scrutiny of records (August 2007) of the Executive Engineer, Construction Division No. 2, Ludhiana (EE), revealed that Government of Punjab, Department of Home Affairs and Justice, Chandigarh accorded administrative approval (January 2004) to the work of "Construction of Judicial Court Complex at Samrala in district Ludhiana" at an estimated cost of Rs 3.94 crore. The work was awarded (December 2004) with open foundations as provided in the estimate to a contractor at the tendered cost of Rs 2.60 crore with a time limit of 12 months. The work was awarded by the EE without getting the technical sanction of the competent authority. Four months after allotment of work, the Chief Engineer proposed (April 2005) to adopt pile foundations instead of open foundations as the site is located in Zone IV. The soil was investigated (May 2005) and the CE ordered (June 2005) adoption of pile foundations owing to which the cost of foundations increased by Rs 1.71 crore. The revised drawings with pile foundation were finally approved in December 2005 i.e. one year after the award of work. Due to this time overrun, cost escalated by Rs 3.21 crore owing to increase in the rates and new items of work valuing Rs 1.61 crore were also included thereby increasing the overall cost of the work to Rs 10.47 crore. After executing the work valuing Rs 2.55 crore with pile foundations, the work was suspended (March 2007) for want of revised administrative approval.

On being pointed out (August 2007), the EE admitted the delay in the start of work and attributed it to non-receipt of approved drawings from the competent authority. He further intimated that since the site fell in Zone IV, the design of the foundations was changed and as per practice, the estimates of buildings are technically sanctioned on preparation of estimate on actual basis after the completion of work. The reply itself confirms the department's failure to adopt foundations of building suitable to Zone IV at the time of preparation of original estimate and prior to allotment of work.

The failure was in not doing the soil investigation before preparing the estimates and awarding the work in January 2004 even though it was known that the area was in Zone IV. Further, the work was awarded without obtaining the approval of the Competent Authority. This has led to suspension of work, thereby resulting in the blockade of Rs 2.55 crore as also in an estimated escalation of Rs 3.21 crore.

The matter was referred to Government (December 2007); reply has not been received (July 2008).

4.4.2 Unproductive expenditure

Commencement of work without ascertaining availability of deposits resulted in unproductive expenditure of Rs 2.47 crore incurred on incomplete buildings

Government of Punjab, Medical Education and Research Department (Government) accorded (August 2004) administrative approval of Rs 8.27 crore to the work of "Expansion of Dental College, construction of Boys hostel, auditorium, guest house, staff quarters etc. at Amritsar."

Scrutiny of records (November 2007) of the Executive Engineer, Provincial Division (PWD B&R) Amritsar (EE) disclosed that the EE, after calling tenders (November 2004), awarded (January 2005) the civil work to a contactor at a tendered cost of Rs 4.92 crore to be completed in 36 months. Though the Government made budget provision of Rs 1.38 crore and Rs two crore during 2004-05 & 2006-07, yet Finance Department did not release any funds for the work. The Chief Engineer, PWD (B&R) diverted (December 2006) Rs 1.18 crore from the work "Expansion and Improvement of Medical College at Amritsar" and released the amount to EE for expansion of the Dental College. The EE paid Rs 1.19 crore to contractor upto March 2007 and total expenditure booked to work was Rs 1.20 crore. After executing further work valuing Rs 0.50 crore (between April 2007 and September 2007) the contractor left the work incomplete due to non-payment of running bills. The work (Expansion of Medical College) from which the funds were diverted was also lying incomplete for want of further funds after spending Rs 1.27 crore against the administrative approval of Rs 4.81 crore.

On being pointed out (November 2007), the EE while admitting the facts intimated (January 2008) that the work could not be executed for want of funds.

Thus, failure of the EE to commence work without ascertaining availability of funds, coupled with non-release of funds by the Finance Department despite making provisions in the budget rendered the expenditure of Rs 1.20 crore incurred on incomplete assets as unproductive. Diversion of funds from the work of expansion and Improvement of Medical College at Amritsar also resulted in that project lying incomplete and blocking of Rs 1.27 crore.

The matter was referred to Government (December 2007); reply has not been received (July 2008).

4.4.3 Blockade of funds

Commencement of work without structural designs and administrative approval for sufficient funds led to suspension of work and blockade of Rs 2.29 crore

Department of Revenue, accorded (August 2005) administrative approval of Rs 3.96 crore to the work of "construction of tehsil complex" at Mukerian consisting of construction of administrative block and residential quarters.

Scrutiny of records (August 2007) of the Executive Engineer, Construction Division PWD–(B&R), Mukerian (EE) disclosed that even though the administrative block was multi-storied and therefore required structural designing, estimates were prepared based on rough cost estimates by taking the plinth area rate of November 2004 meant for ordinary buildings.

After calling for tenders, the works of administrative block and residential quarters were awarded (November 2005 and January 2006) to a contractor at a cost of Rs 2.89 crore. The works were to be completed within six months i.e. by April 2006/June 2006. The structural drawing was to be supplied by the contractor free of cost. The Chief Engineer (CE) approved (January 2006) structural drawing of administrative block submitted (November 2005) by the contractor. This involved major changes[7] in the scope of work. Due to these changes and the resultant increase in the cost of material, the cost of the work escalated to Rs 8.12 crore, an increase of 181 *per cent*. The contractor executed works valuing Rs 2.31 crore upto April 2006. Against the receipt of Rs 75 lakh (March 2006) the EE made payments of only Rs 1.13 crore between January 2006 and April 2006. Aggrieved, the contractor, on completion of contractual time, filed a writ petition (July 2006), demanding the payment of Rs 1.18 crore for the balance work. As per Punjab and Haryana High Court orders (August 2006), the EE made (October 2006) further payment of Rs 1.16 crore on receipt of another Rs One crore. After partial execution of work of construction of administrative block to the extent of contractual value, the contractor suspended (October 2006) the work. The contractor further refused to continue with the work. In his letter dated 22 March 2007 he stated that though the time limit had been extended to 31 March 2007 and he had spent his own funds no further payments were being made to him causing him financial loss due to idle machinery, idle labour as also increase in cost of materials. He further stated that if the contract was not terminated he would file for contempt of High Court

[7] **Considerable replacement of brick work with RCC work, providing & fixing Dholpur stone for face work, finishing work in the red stone, kotta stone, rolling shutters, pressed steel door frames in place of wooden door frames, framed grills and doors, chequerd tiles besides other changes.**

orders. The EE then recommended the termination and the CE agreed to the termination (March 2007) of the agreement for both the works. No further funds were released by the Department of Revenue to complete the remaining work and no further payments were made to the contractor.

Thus, the failure of the Public Works Department in obtaining administrative approval and awarding the work on the basis of rough estimate i.e.without structural designs resulted in the Department of Revenue giving administrative approval to the revised estimate of Rs 8.12 crore only in February 2008. The funds are yet to be provided leading to suspension of work midway and blockage of Rs 2.29 crore spent on the incomplete tehsil complex.

On being pointed (August 2007), the EE intimated (January 2008 and April 2008) that the work would be completed on receipt of funds.

The matter was referred to Government (January 2008); reply has not been received (July 2008).

INDUSTRIES AND COMMERCE DEPARTMENT

4.4.4 Wasteful expenditure on account of pay and allowances of surplus staff

Failure on the part of Personnel Department to frame the rules regarding surplus pool expeditiously and consequently non-adjustment of surplus staff resulted in wasteful expenditure of Rs 2.21 crore

Government ordered closure of 10 Industrial Development Centres and six Quality Marking Centres in the State (July 2004 to September 2004) and declared 109 of its employees surplus. The Director of Industries and Commerce initially requested Financial Commissioner, Excise and Taxation (October 2004) and later on in November 2004 Personnel Department (Surplus pool section) to adjust the surplus staff.

Personnel Department intimated (March and October 2005) that framing of rules regarding surplus staff was under consideration of the Government. The rules are still (January 2008) to be framed and in the meantime Industries and Commerce Department paid salary amounting to Rs 2.21 crore[8] to surplus staff from October 2004 to May 2008 without assigning any work to them.

Thus, failure on the part of Personnel Department to frame the rules for expeditious adjustment of surplus staff and proper pursuance by Industries and Commerce Department (Department) resulted in non-adjustment of surplus staff and unfruitful expenditure of Rs 2.21 crore.

In reply to audit (August 2007) Department stated that matter has been referred to Government (October 2004) and further action is to be taken by the Government. However, the Personnel Department stated (January 2008) that rules were still to be framed.

The matter was referred to Government (February 2008); reply has not been received (July 2008).

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[8] **Basic pay plus dearness pay at the minimum of the time scale of post.**

WATER SUPPLY AND SANITATION DEPARTMENT

4.4.5 Idle expenditure on incomplete works

Inadequate release of funds resulted in idle expenditure of Rs 1.92 crore on incomplete sewerage works

Before taking up the implementation of any project, the Government should make sure that adequate funds are available for execution. Financial prudence requires that no project is left incomplete due to non-availability of funds and abandoned mid way leading to unfruitful investment.

In order to provide sewerage system in six villages[9] of District Fatehgarh Sahib, Government of Punjab, Public Health Department accorded (January 2004) administrative approval for Rs four crore under 'Integrated Rural Development Programme'.

Scrutiny of records (September 2007) of the Executive Engineer, third Water Supply and Sanitation (GW) Division, Mohali (EE), revealed that instead of taking up works as per availability of funds, the EE awarded laying of sewer line in all the six villages (between October 2003 and February 2004) to five different contractors at the tendered cost Rs 2.42 crore with a time limit of three months. Rs 1.96 crore were released between April 2003 and June 2005. The estimates provided for laying of 34972 meters sewerage lines. However, only 20685 meters (59 *per cent*) could be laid at a cost of Rs 1.92 crore. Works in all the six villages remained incomplete as sewerage line laid ranged between 48 and 79 *per cent* only. The remaining work of laying 14287 meters sewerage lines and sewerage disposal work in the six villages was lying incomplete since January 2004 and August 2005.

On being pointed out (September 2007) in audit, the EE stated that matter had been taken up with Additional Deputy Commissioner (Development), Fatehgarh Sahib and Government and the work would be completed on release of funds.

Thus, non-release of funds and spreading the available funds thinly led to the work being halted mid way resulting in idle expenditure of Rs 1.92 crore. The Government also failed in providing the benefits of a sewerage system to the six villages of District Fatehgarh Sahib.

The matter was referred to Government (December 2007), the reply has not been received (July 2008).

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	Name of Village	**Estimated Cost (Rs in lakh)**	**Period since incomplete**	**Scope of work**	**Achievement**	**Percentage of work completed**
				(in meters)		
1	Sanipur	78.34	6/2004	6800	3276	48
2	Faraur	95.23	5/2004	10076	6100	61
3	Khera	43.81	8/2005	3276	2600	79
4	Mullepur	59.23	8/2005	5175	3000	58
5	Saunti	68.66	1/2004	5475	3250	59
6	Railon	54.97	1/2005	4170	2459	59
	TOTAL	**400.24**		**34972**	**20685**	

SPORTS AND YOUTH SERVICES DEPARTMENT

4.4.6 Idle expenditure

Failure of the department to ensure availability of estimated funds rendered the expenditure of Rs 1.43 crore idle besides denial of intended benefits as envisaged in the construction of projects

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

Scrutiny revealed (March and August 2007) that District Sports Officer, Patiala and Deputy Commissioner-cum-Member Secretary, Planning Board, Gurdaspur sanctioned (January 2004 and August 2006) Rs 1.42 crore for the construction of Indoor complex in Polo Ground (Rs 70.00 lakh) at Patiala and sports stadiums at Naushara Bahadur and Ghorewal (Rs 36.00 lakh each) in Gurdaspur district. The construction work of indoor complex at Patiala was entrusted (July 2005) to the Punjab State Cooperative Supply and Marketing Federation Limited (MARKFED) at an estimated cost of Rs 1.14 crore. The construction was taken up in November 2005 with stipulated date of completion as 31 August 2006. After spending Rs 82.13 lakh, MARKFED stopped further execution as the District Sports Officer did not remit balance funds. Similarly construction work of stadium at Naushara Bahadur was entrusted (November 2006) to a contractor at a cost of Rs 35.00 lakh was also stopped (May 2007) after spending Rs 26 lakh as the Department deposited back Rs 10.00 lakh in the treasury as per the instructions of the Government of Punjab, Department of Planning. Although stadium at Ghorewal was completed at a cost Rs 35.20 lakh, it has not been taken over by the Sports Department (July 2008).

Thus, failure of the department to ensure availability of estimated funds before taking up construction work and to take over completed stadium at Ghorewal (Gurdaspur) rendered the expenditure of Rs 1.43 crore idle besides denial of intended benefits as envisaged in the construction of projects.

On being asked (May 2008) for the reasons of non-release of balance funds, the District Sports Officer, Patiala stated (May 2008) that due to non-availability of funds further payment could not be made and the works were lying incomplete. As regards to non-taking over of stadium at Ghorewal, the District Sports Officer, Gurdaspur stated (August 2008) that the matter was under process with the Head Office and final reply was awaited (August 2008).

The matter was referred to Government (January 2008); reply has not been received (July 2008).

PUBLIC WORKS DEPARTMENT
(BUILDINGS AND ROADS BRANCH)

4.4.7 Unfruitful expenditure

Proposals for construction of roads without ensuring land availability resulted in unfruitful expenditure of Rs 1.27 crore and deprived the State of central assistance of Rs 1.09 crore

Para 6.2 of the Pradhan Mantri Gram Sadak Yojna (PMGSY) guidelines lay down that State Government was responsible to make the land available for taking up road works. A certificate to this effect was to accompany the proposal for each work. With a view to provide connectivity, on the certification of Executive Engineer Construction Division PWD (B&R), Roopnagar (EE) that land for the road project was available, the Superintending Engineer, Construction Circle PWD (B&R), Chandigarh accorded (February 2004) technical sanction of Rs 4.84 crore for construction of 13 roads with a total length of 31.73 kilometers under PMGSY (Phase III).

Scrutiny of records (October 2007) of the EE disclosed that the construction work of 13 roads was awarded (March 2005) to a contractor at the tendered cost of Rs 5.07 crore. Two roads (6.60 km) were abandoned (March 2007) after constructing 4.125 km at an expenditure of Rs 1.27 crore[10] and five roads (7.18 km) estimated at Rs 1.09 crore were proposed (August 2005) for deletion as alignment of all these seven roads fell under forest area. The EE could complete (October 2006) only six roads (17.95 km) with an expenditure of Rs 2.96 crore.

Thus, the EE framed proposals and issued a certificate confirming the availability of land for construction of roads, without obtaining NOC from Forest Department which resulted in abandonment of partly completed roads rendering an expenditure of Rs 1.27 crore as unfruitful and depriving the State of the central assistance of Rs 1.09 crore as also depriving the public of connectivity from Dhamana to Rajgiri and Bardar to Bardar Tallian. Further, five roads could not be taken up at all as the EE had failed to ascertain the exact status of the land required and failed to take necessary action to obtain approval from the Forest Department.

On being pointed out (December 2007) the EE intimated (February 2008) that completed portion connects school and some habitations, as such the expenditure cannot be treated as ungainful. The reply is not acceptable, as the EE had furnished an incorrect certificate regarding availability of land for road works, which resulted in abandonment of incomplete roadwork, deletion of five roads and connectivity could not be provided as proposed.

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Sr. No.	Name of the road	Sanctioned Length (Kms)	Length completed (Kms)	Expenditure incurred (Rupees in lakh)
1.	Dhamana to Rajgiri	4.20	1.80	91.00
2	Bardar to Bardar Tallian	2.40	2.325	36.10
	Total	**6.60**	**4.125**	**127.10**

The matter was referred to Government (December 2007); reply has not been received (July 2008).

WATER SUPPLY AND SANITATION DEPARTMENT

4.4.8 Unfruitful expenditure

Inadequate release of funds by Government rendered expenditure of Rs 86.37 lakh as unfruitful on incomplete Rural Water Supply Schemes

With a view to provide safe potable drinking water to 24383 inhabitants of 12 villages under the Minimum Needs Programme Government of Punjab administratively approved (between January 1997 and May 2000) four Rural Water Supply Schemes (RWSS) for Rs 1.84 crore as detailed below:

(Rupees in lakh)

Name of Division	Water Supply & Sanitation (RWS) Division, Amritsar	Water Supply & Sanitation (RWS) Division, Gurdaspur			Total (Rs)
Name of Rural Water Supply Scheme	RWSS, Chabba	RWSS, Bham Bhambri	RWSS, Chhod Dostpur	RWSS, Gawara Dabbuja	
Estimated cost/ Amount of Administrative approval (Rs in lakh)	35.97	65.75	42.37	39.94	184.03
Date of Administrative approval	January 2000	January 1997	May 2000	May 2000	
Award of work	December 2000	August 1997	November 2000	November 2000	
Held up since	March 2007	May 2003	May 2003	May 2003	
Expenditure (Rs in lakh)	19.67	48.39	12.05	6.26	86.37
Month of audit	July 2007	January 2008	January 2008	January 2008	
Balance funds required to complete the scheme	16.30	17.36	30.32	33.68	97.66

Scrutiny of the records (July 2007 and January 2008) of two divisions viz Water Supply and Sanitation (RWS) Division, Amritsar and Gurdaspur disclosed that after installation of tubewells, partial execution of Civil works and construction of OHSR (RWSS Bham Bhambri) valuing Rs 86.37 lakh the works were stopped (between May 2003 and March 2007) as Government did not release further funds. Thus, due to failure of the Government in providing requisite funds for over five years in three RWSS and one year in one RWSS and spreading the available resources thinly by taking up all works simultaneously rather than completing a few, none of the RWS schemes could be completed and made functional, thereby rendering the expenditure of Rs 86.37 lakh unfruitful besides denying the benefit of safe potable drinking water to the inhabitants of 12 villages.

The Executive Engineers admitted the facts (July 2007 and January 2008) and stated that the balance works would be completed as and when the funds were received from the Planning Department.

The matter was referred to Government (April 2008); reply has not been received (July 2008).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.4.9 Idle expenditure

Injudicious purchase of equipment resulted in idle expenditure of Rs 85.17 lakh besides denial of the intended benefits of the equipment

Rule 15.2 (b) of Punjab Financial Rules (Volume-I) provides that purchases must be made in the most economical manner and in accordance with the definite requirement of public service.

Scrutiny of records (May 2007) of the Senior Medical Officer, Civil Hospital, Khanna and information collected from 24 other Hospitals[11] under the Department of Health and Family Welfare (Department) disclosed that without obtaining the requirement from user hospitals and even without confirming the availability of technical staff required to operate the Holter Monitor, a device which is given to the patients on loan basis for 24 hours for measuring continuous ECG of patients, the Managing Director, Punjab Health Systems Corporation (MD) placed (September 2001) supply order on M/s Carewell Medical Systems, Chandigarh to supply 30 Holter Monitor-Model C-2000 (Rs 63.87 lakh), 30 Computers and Laser Printers (Rs 21.30 lakh). Although the equipment were received in 30 hospitals[12] between December 2001 and July 2002, these could not be put to use due to non-availability of technical staff even after six years of their receipt. Thus, poor planning led to injudicious purchase of equipment and idle expenditure of Rs 85.17 lakh thereon. The envisaged benefits of the Holter Monitor to the public could not be effected as the MD, PHSC while purchasing the equipment failed to arrange for the staff to use it.

On being pointed out, Senior Medical Officers of 25 out of the 30 user hospitals confirmed (May 2007-July 2008) that the equipment had not been used. They further stated that neither had the hospitals ever demanded the equipment nor were there technical staff available to operate the system. The MD, however, stated (March 2008) that the purchase was not based on the definite requirement from the hospitals but in accordance with the norms of the State Government finalized in consultation with the World Bank which were derived to provide public service of a level envisaged.

The reply of the MD is not acceptable as the objective of providing public service was not achieved as the equipment worth Rs 85.17 lakh was lying idle

[11] **Civil Hospital, Abohar, Ajnala, Amritsar, Badal, Balachaur, Barnala, Batala, Dasuya, Fazilka, Jagraon, Kharar, Kotkapura, Ludhiana, Malerkotla, Mansa, Moga, Mukerian, Pathankot, Phillaur, Rajpura, Rampura Phul, Samrala, SAS Nagar and Taran Tarn.**

[12] **Civil Hospital, Abohar, Ajnala, Amritsar, Badal, Balachaur, Barnala, Batala, Dasuya, Faridkot, Fazilka, Jagraon, Khanna, Kharar, Kotkapura, Ludhiana, Malerkotla, Malout, Mansa, Moga, Mukerian, Nabha, Nakodar, Pathankot, Phagwara, Phillaur, Rajpura, Rampura Phul, Samrala, SAS Nagar, Tarn Taran.**

since its receipt over six years ago as the MD failed to plan for the required staff (July 2008).

The matter was referred to Government (February 2008); reply has not been received (July 2008).

RURAL DEVELOPMENT AND PANCHAYATS DEPARTMENT

4.4.10 Undue financial aid to Bar Associations

Undue financial aid amounting to Rs 85 lakh to the Bar Associations

As per the scheme of strengthening of infrastructure and institutional works under special programme for Rural Development, main emphasis would be on the consolidated development of the villages in Punjab, improvement of village sanitation, construction of drains, disposal of sullage water, shelter to the poor and wage/self-employment etc. As per guidelines issued (November 1997) by the Government, the funds under the scheme could be released to bodies in or outside Punjab for purposes such as water supply, agricultural development, rural sanitation etc. relating to rural population.

Scrutiny of records of the Deputy Commissioner, Patiala (DC) revealed (September 2006) that the Director, Rural Development and Panchayats Department, Punjab, Chandigarh (Director) sanctioned a sum of Rs 85 lakh to two Bar Associations (I) Rs 75 lakh to the District Bar Association, Patiala for construction of lawyers chambers at Patiala and (II) Rs 10 lakh to District Bar Association, Nabha for construction of lawyers chambers at Nabha. The Deputy Commissioner, Patiala (DC) drew the funds and released[13] the same (between November 2004 and March 2006) to the Bar Associations. As the construction of lawyers' chambers in cities was not covered under rural development as defined in the scheme/notification, the release of grant of Rs 85 lakh was irregular. The release of funds for a work not covered under the provisions of scheme resulted in undue financial aid of Rs 85 lakh to these Bar Associations at the cost of rural infrastructure development.

On being pointed out (January 2008), the Director stated (February 2008) that these grants had been released by the Chief Minister in terms of the guidelines. The reply of the Director is not acceptable as the grants had been released to the Bar Associations which are private bodies of professionals and had no relevance with rural development in the State.

The matter was referred to Government (January 2008); reply has not been received (July 2008).

[13] **Cheque No. 835571 dated 3.11.2004 for Rs 25.00 lakh, 926063 dated 31.3.2005 for Rs 25.00 lakh, 878333 dated 31.3.2006 for Rs 25 lakh and No. 878312 dated 6.3.2006 for Rs 10.00 lakh.**

HEALTH AND FAMILY WELFARE DEPARTMENT

4.4.11 Denial of financial support to State exchequer

Inordinate delay in the project execution not only deprived the State exchequer of revenue of Rs 83 lakh but the drug industry was also denied the facility of drug testing laboratory

With a view to ensure quality control of Ayurveda, Siddha, Unani and Homoeopathy drugs, the Government of India (GOI) sanctioned (May 2005) Rs one crore being cost of project, under the Centrally Sponsored Scheme (CSS) -'Strengthening of Drug Testing Laboratory at Patiala' (laboratory). As per the project report submitted (June 2005) by the Director Ayurveda Punjab, Chandigarh (Director) to the Secretary Health and Family Welfare, the project offered multiple benefits of laboratory to ensure supply of standard qualitative ayurvedic medicines to the public, boosting ayurvedic medicine export and promoting cultivation of medicinal plants by farmers which would ultimately boost the State's economy and also help diversification of crops. The project, scheduled to be completed within 18 months, was to start functioning by November 2006. As per project report, the department was to generate gross revenue of Rs 50 lakh per annum in the shape of sample analysis fee to be received from the drugs manufacturing units of the State.

Scrutiny (October 2007) of records of Director supplemented by information subsequently collected (January 2008) revealed that the State Government failed to release GOI funds to the Director during the year 2005-06. Consequently, the sanction lapsed. Further, after revalidation (August 2006) of funds by GOI, although the State Government released (February 2007) the funds but the Director failed to draw the amount from treasury during 2006-07 as the funds were released towards fag end of the year.

It was further noticed that GOI directed (December 2006) the State Government to open bank account of 'AYUSH Program Funds' to enable the Department of AYUSH to transfer grants released under CSS to the State Health Societies directly w. e. f. April 2007 and decided that the funds released in the past under CSSs required no revalidation from GOI. Thereafter, the funds were released by the State Government in January 2008 and the Director had drawn (March 2008) Rs 90 lakh and deposited the same in the AYUSH account. No expenditure had been incurred as of July 2008.

Thus, inordinate delay in project execution, despite the availability of funds received from GOI in May 2005, had not only deprived the State exchequer of revenue of Rs 83 lakh but the drug industry of State was also denied the facility of drug testing laboratory. Also, the decision of GOI to keep the funds outside the Government account requiring no revalidation would lead to non-monitoring of timely utilisation of grants for intended purposes by the GOI as also indemnify the State Government for its failure to implement the project in time.

On this being pointed out in audit, the Director intimated (August 2008) that the process of construction of building and purchase of machinery etc. was under process.

The matter was referred to Government (February 2008); reply has not been received (July 2008).

EDUCATION DEPARTMENT

4.4.12 Unfruitful expenditure

Retention of seven lecturers for five academic years in the absence of any student of commerce discipline and any appropriate justification rendered expenditure of Rs 77 lakh on the pay and allowances of these lecturers unfruitful

As per the orders of Director Public Instructions (S) the District Education Officer (S) (DEO), Amritsar abolished (May 2003), commerce discipline in eight[14] Senior Secondary Schools of the district.

Test check of records (April 2008) of DEO, Amritsar disclosed that although the commerce discipline in these schools stood abolished from academic year 2003-04 yet seven lecturers of commerce discipline remained posted in four[15] schools (out of eight schools) and had drawn salary in scale of 6400-10640 for the period 2003-08. It was further noticed that inspite of three vacant posts of commerce discipline available in three other schools of the same district, Department did not consider transfer of the lecturers to these schools. As such the expenditure on their pay and allowances from 2003-04 to 2007-08 amounting to Rs 77 lakh was rendered unfruitful besides services of these lecturers needed else where could not be utilised.

Thus, retention of seven lecturers for five academic years in the absence of any student in commerce discipline and any appropriate justification rendered an expenditure of Rs 77 lakh on the pay and allowances of these lecturers unfruitful.

On being pointed out the DEO (S) stated (April 2008) that matter would be brought to the notice of higher authority.

The matter was referred to the Government (May 2008); reply has not been received (July 2008).

WATER SUPPLY AND SANITATION DEPARTMENT

4.4.13 Creation of liability and unfruitful expenditure

Starting of work without funds created liability of Rs 2.75 crore and suspension of work besides unfruitful expenditure of Rs 50 lakh

As per Para 2.89 of PWD Code, no work shall be commenced unless a properly detailed design and estimate have been sanctioned, allotment of funds made, and orders for its commencement issued by competent authority. Further, no liability may be incurred in connection with any work until an assurance has been received from the authority competent to provide funds that such funds will be allotted before the liability matures.

[14] **Government Sr. Secondary School Bhahru, Damganj, Gago Mahal, Ghariyala (boys), Jethowal, Khadoor Sahib, Naushehra Pannuan and Vachoha.**

[15] **Government Sr. Secondary School, Bhahru, Damganj, Gago Mahal and Vachoha.**

Scrutiny of records of Executive Engineer, Water Supply and Sanitation (RWS) Division, Moga (EE) disclosed (February 2008) that to improve environment by disposal of waste water/sewerage from individual houses of the villages by laying underground sewerage system, the Chief Engineer (South), Water Supply and Sanitation Department, Patiala sanctioned (April 2006 to June 2006) seven estimates for the work of providing "Small Bore Hole Sewerage System" in seven villages[16] falling in five blocks of Moga District for Rs 6.56 crore. As per estimates, sewerage from Intercepting Tanks (ITs) was to be collected in Sewerage Treatment Plant (STP) through small bore sewer and pumping station. After tendering (July 2006), the work was awarded (between August 2006 and October 2006) to single contractor at a cost of Rs 6.34 crore with a time limit of six months. The contractor installed 55[17] *per cent* ITs and laid 45[18] *per cent* small bore sewer valuing Rs 3.25 crore upto March 2007. The EE got Rs 50 lakh transferred (July 2007) from the Executive Engineer, (RWS) Division, Mohali, to make an on account payment (August 2007) to the contractor. The EE demanded (between May 2007 and November 2007) funds but Government did not release funds (June 2008).

Due to non-payment, the contractor suspended the work without installing collecting tank and STP, thereby leaving the work incomplete in all the seven villages and also claimed the interest at the rate of 18 *per cent* for the delay in making payment.

Thus, award of work for Rs 6.34 crore without availability of funds resulted in creation of an interest liability of Rs 66 lakh (from April 2007 to July 2008) besides blockade of Rs 50 lakh spent on incomplete assets. The interest liability will keep increasing till the payment is made.

On being pointed out the EE admitted (June 2008) the facts and attributed abandonment of work to non-release of funds by the Department of Rural Development and Panchayats Punjab/PIDB. It also resulted in the seven villages of Moga district having been denied the benefit of an efficient sewerage system.

The matter was referred to Government (May 2008) and comments of the Chief Engineer sought (June 2008); no reply has so far been received (July 2008).

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	Name of Block	**Name of Village**
1	Moga-I	Dhurkot Kalan
2	Moga-II	Wada Ghar
3	Bagha Purana	Alam Wala
4	Dharamkot	Kot Sadar Khan, Noorpur Hakima
5	Nihal Singh Wala	Gajjiana, Burj Hamira

17 **1247 ITs against the scope of 2286 ITs.**

18 **29.15 KM of small bore sewer against the scope of 65.37 KMs.**

4.4.14 Non-accrual of benefit of sanitation to villagers

Shifting of implementation of programme between two departments resulted in blockade of Rs 25.54 lakh and non-accrual of benefits

Government of India (GOI) launched a central/rural sanitation programme titled "Total Sanitation Campaign (TSC)" to bring about an improvement in the general quality of life in the rural areas and provide sanitation coverage in rural areas by accelerating access to toilets and promoting hygiene education. Under the programme, GOI sanctioned (August 2003) the project for district Fatehgarh Sahib for Rs 1.34 crore. Central Share: Rs 81.32 lakh, State Share: Rs 35.03 lakh and Beneficiary Share: Rs 17.15 lakh. Under the project, 2485 individual household latrines, 363 school toilets and two production centres/rural sanitary marts were to be constructed.

Scrutiny of records (September 2007) of the Executive Engineer, Water Supply and Sanitation (GW) Division-3, Mohali (EE) revealed that GOI released (June 2004) Rs 24.40 lakh towards first instalment representing 30 *per cent* of total share of Rs 81.32 lakh for the implementation of the scheme. As per guidelines of GOI, to implement the TSC Government of Punjab constituted (December 2004) District Water Supply and Sanitation Mission (SWSM), District Water Supply and Sanitation Committee (SWSC) and Core Group of Fatehgarh Sahib District. The EE spent (between June 2005 and May 2006) Rs 1.03 lakh on conducting the survey for the identification of the area and demand. No further activity could be taken up as the Punjab Government decided in February 2006 to implement this programme through the Rural Development and Panchayats Department and rolled back this decision in September 2007. Resultantly, the work could neither be executed by Rural Development and Panchayats Department nor by the Water Supply and Sanitation Department. This resulted in blockade of Rs 25.54 lakh (including interest thereon of Rs 2.17 lakh) for over four years and the benefit of sanitation was deprived to the villages in district Fatehgarh Sahib.

On it being pointed out (September 2007) in audit, the EE admitted (February 2008) the facts and intimated that unutilised funds were meant for Information, Education and Communication activities, which were yet to start. From the reply it is evident that even the initial work of the progamme has not yet been started.

The matter was referred to Government (November 2007); the reply has not been received (July 2008).

IRRIGATION AND POWER DEPARTMENT

4.4.15 Unfruitful expenditure

Failure of the department to adhere to the financial rules resulted in unfruitful expenditure of Rs 25 lakh

As per Rule 7.130 of Department Financial Rules, no work should be taken up until the local body or party concerned, on whose behalf the deposit work is to be undertaken has advanced the entire estimated cost of work in one lumpsum or in instalments and by such date as may be specifically authorised by the Government.

Scrutiny of records (April 2007) of the Executive Engineer, Patiala Drainage Division, Patiala (EE) and information collected (December 2007) from Sr. District Saving Officer, Patiala disclosed that it was decided to shift the dairies of Patiala town to a low lying flood prone site falling near the meeting point of Chhoti Nadi and Bari Nadi, after overcoming the flood problem. Government of Punjab, Finance Department (Directorate Small Savings) released (February 2005) Rs one crore to Deputy Commissioner (DC), Patiala who further released (February 2005) the same to Municipal Corporation, Patiala (MC). The Commissioner, MC accorded (March 2005) administrative approval of Rs 85 lakh for construction of a bundh (RD 0-3500) on the left side of Chhoti Nadi. The Chief Engineer/Drainage (Irrigation Department) (CE) who was to execute the work, gave technical sanction (May 2005) to the estimate of the work for Rs 83.56 lakh subject to condition that the work may only be taken in hand after the funds are made available for the work. The MC, however, released only Rs 25 lakh (May 2005). The EE, in violation of the rule *ibid* and also the directions of the CE, awarded (October 2005) the work on six work orders to three contractors from RD 0 to1500. The EE also failed to ensure that the site was free from all encumbrances before award of the work. An expenditure of Rs 25 lakh was incurred upto January 2006. Further work could not be executed due to a dispute regarding ownership of land. Thereafter, MC neither released further funds nor refunded the balance amount (Rs 75 lakh) to the DC, Patiala (January 2008).

Thus, failure of the CE/EE to adhere to the financial rules as also ensuring the availability of land free from all encumbrances before awarding the work led to blockage of Rs 25 lakh for over two years rendering it unfruitful besides defeating the purpose of shifting of milk dairies out of Patiala town.

On it being pointed out (April 2007) the EE stated that funds had been demanded from the MC and the work will be completed on receipt of funds. The reply was not acceptable as the work valuing Rs 25 lakh was unfruitful for over two years.

The matter was referred to Government (November 2007); reply has not been received (July 2008).

RURAL DEVELOPMENT AND PANCHAYATS DEPARTMENT

4.4.16 Mis-utilisation of funds

Purchase of computers for Rs 18.73 lakh in violation of provisions of the Act/Government of India's guidelines

The Director Rural Development and Panchayats (Director) proposed (March 2007) to purchase 26 computers with the objective of providing at least one computer to each branch and one each to officers at the Directorate. The Director explored the possibility of sources of funds from other schemes of the Department for the same.

Scrutiny of records (December 2007) of the Director revealed that an amount of Rs 18.73 lakh was spent towards the purchase of computers by diverting the funds from Cattle Fair Fund (CFF) (Rs 10.13 lakh) and Government of India (GOI) grant (Rs 8.60 lakh), in violation of the provisions of Punjab Cattle Fairs (Regulations) Act, 1967 (Act) which were exclusively meant for meeting of expenses necessary for holding, controlling, managing or regulating cattle fair etc. and also against the GOI guidelines relating to the utilisation of central grants meant for supplementing the sources of Panachayati Raj Institutions and Urban Local Bodies.

Failure of the Director to ensure compliance to the provisions of Act as well as GOI guidelines for utilisation of grants resulted in mis-utilisation of funds amounting to Rs 18.73 lakh.

On being pointed out, the Director stated that computers were purchased as per orders of the Government. However, Government stated (April 2008) that it was a fit charge under the Act as per Government orders dated 6.10.2006. The reply was not acceptable because purchase of computers was not included in the list of items declared fit charge by Government orders dated 6.10.2006 and the orders of the authority diverting utilisation of funds were in contravention to provisions of GOI guidelines for utilisation of Central grants.

4.5 Regularity issues and others

HOME AFFAIRS AND JUSTICE DEPARTMENT

4.5.1 Non-recovery of Rs 1.31 crore

Department's failure to handover the tents to MARKFED and PSWC coupled with issuing 354 tents in excess of sanctioned quantity, resulted in non-recovery of Rs 1.31 crore

Rule 15.5 of Punjab Financial Rules requires the Government employee in-charge of the stores to check that an authorised person should carefully examine indents with reference to the order or instructions. Further, payment shall be required in all cases where a department of a government renders services or makes supplies to a non-government body or institution or to a separate fund constituted as such inside or outside the public account.

Scrutiny of records (February 2006) of Superintendent, Central Jail, Bhatinda and information collected (January and February 2008) from Director General of Prisons, Punjab, Chandigarh (DGP) disclosed that the Special Principal Secretary to Chief Minister, Punjab directed (January 2001) that the Punjab State Co-operative Supply and Marketing Federation Limited (MARKFED) and the Punjab State Warehousing Corporation (PSWC) would take over 1000 tents from various jails. However, the Superintendents of eight Jails[19] supplied (January–February 2001) the tents directly to five District Red Cross Societies[20] (Societies) without obtaining an indent from MARKFED & PSWC

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[19] **Central Jail, Bathinda, Ferozepur, Gurdaspur, Jalandhar, Ludhiana, Patiala Borstal Jail, Ludhiana and District Jail, Faridkot.**

[20] **Red Cross Society, Bhatinda, Gurdaspur, Jalandhar, Ludhiana and Patiala.**

for onward supply to the Gujarat State. It was further observed that instead of issuing 1000 tents, the Superintendents of Jails issued 1354 tents costing Rs 1.31 crore. On taking up (January 2001) the case by the Department for recovery of cost of tents, the State Government clarified (December 2005) that the cost of tents was to be borne by the MARKFED and PSWC because as per orders of January 2001 issued by the Chief Minister's Secretariat, these tents were to be donated by these agencies. But the MARKFED and PSWC refused (February 2006/July 2007 & February 2006 and December 2006) to make payment on the plea that the indents for supply of tents were not placed by them with any Jail.

Thus, the Department's failure to handover the tents to MARKFED and PSWC coupled with issuing 354 tents in excess of sanctioned quantity, resulted in non-recovery of Rs 1.31 crore.

On being pointed out in audit, the DGP stated (June 2008) that Government had been requested to make payment of Rs 1.31 crore from discretionary fund of the Chief Minister. Further developments were awaited (August 2008).

The matter was referred to Government (March 2008); reply has not been received (July 2008).

SPORTS AND YOUTH SERVICES DEPARTMENT

4.5.2 Irregular retention of funds in Bank

The action of the department to keep the funds of Rs 94.17 lakh in bank instead of filling up the posts of coaches and other staff not only affected the promotion of sports but also the ways and means position of the State exchequer

As per Rule 2.10 (a) and (b) (5) of Punjab Financial Rules, Head of the Department is responsible for enforcing financial orders of strict economy through observance of all Financial Rules & Regulations. These Rules prohibit drawal of money from treasury unless it is required for immediate disbursement. Further Punjab Treasury Rules prohibit deposit of money drawn from treasury into commercial banks except with the special permission of State Government.

Scrutiny (September 2007) of records of Director Sports, Punjab revealed that Government approved proposal of Punjab State Sports Council (Council) (January 2007) for creation of 120 posts (90 coaches and 30 ministerial staff for five[21] new districts) and revival of 119 vacant posts (79 coaches and 40 ministerial staff) and released (January 2007) Rs 94.17 lakh to meet salary expenses of the incumbents for the period January to March 2007. According to terms and conditions of this sanction, the Council was required to call tenders for the purpose. However, before the Council initiated any action for filling up of posts, the Director withdrew (February 2007) the entire amount from treasury and transferred it to the Council. As the vacancies were not

[21] **Fetehgarh Sahib, Mansa, Moga, Muktsar and Nawan Shahar.**

filled, (February 2007) the Council put the amount (February 2007) in Bank in the shape of FDRs which remained blocked (February 2007 to July 2008).

Thus, inaction of Department to fill up these posts for over a year not only affected the objective of promotion of Sports in the new districts but also resulted in blocking of funds of Rs 94.17 lakh at a time when the State exchequer had to resort to overdraft of Rs 388.43 crore on which interest of Rs 58.35 lakh was paid during 2007-08.

On being pointed out (September 2007), Department stated that the posts could not be filled due to assembly election code of conduct. Reply was not acceptable because assembly election code remained in force for a limited period of two months i.e. January and February 2007 but the funds remained blocked for more than one year i.e. from January 2007 to July 2008. Moreover, funds should not have been withdrawn from the treasury until action had been initiated to fill the posts.

The matter was referred to Government (February 2008); reply has not been received (July 2008).

HOME AFFAIRS AND JUSTICE DEPARTMENT

4.5.3 Non-realisation of amount of security and surety bonds

Delay in reporting and inaction facilitated the prisoners to misuse the parole/ furlough, escape re-arrest and non-realisation of surety of Rs 42.20 lakh

The Punjab Good Conduct Prisoners (Temporary release) Act, 1962 and the Rules made there under provide that a prisoner may temporarily be released on parole or furlough on execution of the security and surety bonds of Rs 20 thousand (revised to Rs 50 thousand)[22] with District Magistrate (DM) concerned in each case by the prisoner or his family members. Further, in case a prisoner fails to surrender after the expiry of the period of parole or furlough, the Superintendent of Jail (Superintendent) would immediately inform the Superintendent of Police (SP) of the district concerned and officer-in-charge of Police Station (SHO) under whose jurisdiction the place of residence of the prisoner falls during his temporary release and simultaneously, would request the DM to forfeit the amount of security and surety bonds and credit the same to the receipt head of account of the State Government in accordance with the procedure laid down under Code of Criminal Procedure, 1898 under intimation to Superintendent.

Scrutiny of records (August 2005) of the Superintendent, Central Jail, Amritsar and information collected between January 2006 to August 2008 from four[23] Superintendents revealed that 82[24] prisoners booked under various

22 In anticipation of Government's approval to the proposal of the department to raise the amount of security bond and surety bond to Rs 50,000/-, security bond and surety bond for Rs 50,000/- is being got executed in each case.

23 Superintendent of Central Jails, Bhatinda, Jalandhar, District Jail, Hoshiarpur and Maximum Security Jail, Nabha.

sections of Indian Penal Code and Narcotics, Drugs Prevention and Safety (NDPS) Act released on parole/furlough, between May 2001 and May 2008, did not surrender even after expiry of their parole/furlough. Of these, the Superintendents reported 10 cases of non-surrender to the SPs, SHOs and DMs after expiry of the period of their parole/ furlough with a delay ranging between 27 days and 795 days. It was seen in audit that out of 82 prisoners, 51 prisoners released between May 2001 and May 2008 did not return while other 31 prisoners reported back after overstaying their parole/furlough for the period ranging between 13 days and 1051 days. Of these, eight prisoners overstayed the period of furlough by more that one year. Though the SPs and SHOs stated (August 2008) that progress of such cases was being reviewed in the monthly meetings but no records relating to such meetings was shown to audit, in absence of which efforts made by the police to re-arrest the absconding prisoners could not be ascertained in audit. Further, though the Superintendents intimated the non-surrender of the prisoners to the DMs, but the latter did not forfeit security and surety bonds in these cases even after lapse of a periods ranging between two and 84 months.

Thus, late reporting of non-surrender of prisoners by the Superintendents coupled with inaction on the part of SPs, SHOs and DMs and lack of coordination amongst them not only facilitated the offenders booked for serious crimes under NDPS Act, murder, rioting, armed with deadly weapons etc., to misuse the facility of furlough/parole but also resulted in non-realisation of Rs 42.20 lakh.

On being pointed out in audit, the Superintendents of Central Jails, Amritsar and Bhatinda intimated (August 2008) that as per provisions of the rules, the security and surety bonds were to be forfeited by the DMs concerned. No reply was received from the DMs, except DM, Amritsar who stated (June 2006) that a reply would be sent after tracing out the concerned records.

The matter was referred to Government (March 2008); the reply has not been received (July 2008).

4.6 General

4.6.1 Follow-up on Audit Reports/Outstanding Action Taken Notes

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

24 Central Jails Amritsar-30; Bhatinda -34; Jalandhar-8; District Jail, Hoshiarpur-5 and Maximum Security Jail, Nabha-5.

taken by them within a period of three months of the presentation of the Reports to the State Legislature. But as per existing practice, ATNs are not sent to Principal Accountant General's office for vetting before submission to PAC.

Audit Reports

Out of 140 paragraphs and reviews included in the Audit Reports relating to the period 2001-2002 to 2005-06, which, had already been laid before the State Legislature, ATNs in respect of 68 paragraphs and 18 reviews, as detailed below, had not been received in the Audit Office as of March 2008, even after the lapse of prescribed period of three months:-

Year of Audit Report	Total Paragraphs/ Reviews in Audit Report	No. of Paragraphs/Reviews for which ATNs not received
2001-2002	31	10
2002-2003	29	20
2003-2004	31	21
2004-2005	21	15
2005-2006	28	20
TOTAL	**140**	**86**

Department-wise analysis is given in the ***Appendix 4.2 & 4.3***. Departments largely responsible for non-submission of ATNs were Public Works, General Administration, Education, Health and Family Welfare and Rural Development and Panchayats. Government did not respond even to reviews containing important issues such as system failures, mismanagement and misappropriation of Government money. Non-receipt of ATNs hampered the work of PAC.