



सत्यमेव जयते

**Report of the
Comptroller and Auditor General of India
on Compliance Audit of
Social, General and Economic Sectors
for the year ended 31 March 2020**



लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest



Government of Punjab
Report No. 4 of the year 2021

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Comptroller and Auditor General of India
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Preface

This Report of the Comptroller and Auditor General of India on Compliance Audit of Social, General and Economic Sectors for the year ended 31 March 2020 has been prepared for submission to the Governor of Punjab under Article 151(2) of the Constitution of India and Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The Report contains significant results of the compliance audit of the departments/autonomous bodies and Public Sectors Undertakings of Government of Punjab under the Social, General and Economic Sectors.

The instances mentioned in this Report are those, which came to notice in the course of test audit done during the year 2019-20 as well as those which came to notice in earlier years, but could not be reported in previous Audit Reports; instances relating to the period subsequent to 2019-20 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Overview

Overview

This Report comprises two Chapters containing 20 compliance audit paragraphs pertaining to Social, General and Economic Sectors involving money value of ₹ 113.54 crore.

Chapter-I is an introductory chapter, which contains financial profile of the State, planning and conduct of audit and follow-up on Audit Reports; **Chapter-II** deals with audit findings on compliance audit in respect of Public Sector Undertakings of Social, General and Economic sectors comprising 13 paragraphs involving money value of ₹ 85.31 crore; and **Chapter-III** contains audit findings on compliance audit of departments/autonomous bodies pertaining to Social, General and Economic sectors comprising seven paragraphs involving money value of ₹ 28.23 crore.

Chapter-I: Introduction

The significant points of Chapter-I are summarised below:

The total expenditure (revenue expenditure, capital outlay and loans and advances) of the State increased by 60 *per cent* from ₹ 59,101 crore to ₹ 94,471 crore during the period 2015-16 to 2019-20 while the revenue expenditure increased by 51 *per cent* from ₹ 50,073 crore to ₹ 75,860 crore during the same period. The revenue expenditure constituted 80 to 95 *per cent* of the total expenditure (except for the year 2016-17 when it was 55 *per cent*) while the capital expenditure was three to five *per cent* during 2015-20 except for the year 2019-20 when it was 19 *per cent* due to conversion of UDAY loans amounting to ₹ 15,628 crore into equity in Punjab State Power Corporation Limited.

(Paragraph 1.2)

An amount of ₹ 0.36 crore was recovered by various departments during 2019-20 after being pointed out by the Audit through Inspection Reports.

(Paragraph 1.7)

As of June 2020, 14,887 Inspection Reports (IR) containing 46,532 paragraphs (issued up to March 2020) having money value of ₹ 39,347 crore were outstanding, of which 8,642 IRs containing 17,635 paragraphs having money value of ₹ 10,779 crore pertained to the period prior to April 2015 i.e. more than five years old.

(Paragraph 1.8)

Chapter-II: Social, General and Economic Sectors (Public Sector Undertakings)

Highlights of Chapter-II are summarised below:

POWER DEPARTMENT

Punjab State Power Corporation Limited

Non-recovery of dues

Non-compliance with the provisions of Electricity Supply Instructions Manual of the Company and PSERC (Electricity Supply Code and Related Matters) Regulations, 2014 resulted in non-recovery of ₹ 0.83 crore.

(Paragraph 2.1)

Delay in disconnection

Delay in disconnection of electric supply of a continuously defaulting consumer in violation of statutory provisions had resulted in accumulation and non-recovery of dues amounting to ₹ 1.08 crore.

(Paragraph 2.2)

Irregular tariff concession

The Company provided tariff concession of ₹ 1.21 crore to mushroom farming consumers without enabling formal orders of the State Government resulting in non-realisation of tariff concession allowed.

(Paragraph 2.3)

Non recovery of pole hiring charges from cable operator

Delay in verification of number of electricity poles being used by a cable TV operator followed by delay in raising of due demand and non pursuance for payment of rentals and penalty resulted in non-recovery of ₹ 6.12 crore besides associated loss of interest of ₹ 1.09 crore up to March 2021.

(Paragraph 2.4)

Incorrect application of industrial tariff for commercial supply

The Company did not ensure compliance with Electricity Supply Code, 2014 by the distribution franchisee. This led to incorrect application of industrial tariff for electricity consumed for commercial purpose by a consumer which resulted in loss of ₹ 77.63 lakh.

(Paragraph 2.5)

Injudicious renewal of Microsoft Software licenses

Renewal of various Microsoft Software licenses without proper assessment of requirement by the Company resulted in an avoidable expenditure of ₹ 69.11 lakh.

(Paragraph 2.6)

AGRICULTURE AND FARMER WELFARE DEPARTMENT**Punjab Agri Export Corporation Limited****Infructuous expenditure on purchase of Pea Harvesting Machine**

The Company purchased a twenty year old second-hand pea harvester machine without estimating its viability. This resulted in its non utilisation rendering ₹ 1.05 crore spent on its purchase wasteful.

(Paragraph 2.7)

Punjab Agro Foodgrains Corporation Limited**Misappropriation of paddy**

Violations of the Custom Milling Policy and inadequate monitoring of the milling operations led to misappropriation of paddy of ₹ 5.49 crore

(Paragraph 2.8)

Short recovery under One Time Settlement Policy

Non-application of rates as per Kharif Marketing Scheme 2016-17 while finalising OTS amount and non-recovery of VAT on cost of undelivered rice resulted in short recovery of ₹ 1.46 crore from the millers.

(Paragraph 2.9)

Punjab State Warehousing Corporation**Fraudulent billing of purchase of wheat**

Fraudulent billing of ₹ 73.74 lakh by employees in connivance with *Arhtia* resulted in loss of ₹ 64.72 lakh

(Paragraph 2.10)

INDUSTRIES AND COMMERCE DEPARTMENT**Punjab State Industrial Development Corporation Limited****Undue favour to an industrial unit**

Acceptance of the proposal of the industrial unit for settlement of its account under the OTS Policy, 2018 instead of effecting recovery of its legitimate dues

as per the award of the Tribunal resulted into favour to the unit and consequential loss of ₹ 0.66 crore to the Company.

(Paragraph 2.11)

Loss on transfer of shares under One Time Settlement Policy

Incorrect deduction of dividend while arriving at OTS amount resulted in less recovery of ₹ 8.88 crore which was prejudicial to the financial interests of the Company.

(Paragraph 2.12)

FOOD, CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

Punjab State Civil Supplies Corporation Limited

Damage of wheat

Poor preservation of wheat stock as well as storage of fresh wheat with infested stock in violation of storage instructions of FCI resulted in damage of wheat and loss of ₹ 55.32 crore to the Company

(Paragraph 2.13)

Chapter-III: Social, General and Economic Sectors (Departments)

Highlights of Chapter-III are summarised below:

PUBLIC WORKS DEPARTMENT (BUILDINGS AND ROADS)

Avoidable payment

The Public Works Department's (Buildings and Roads) failure to prepare realistic project estimate, to provide clear site and technical sanction led to changes in scope of work, delay in completion and avoidable compensation payment of ₹ 5.78 crore.

(Paragraph 3.1)

Unfruitful expenditure

The Ministry of Environment, Forests and Climate Change did not accord final approval of the forest clearance due to failure of the Public Works Department (Buildings and Roads) to comply with the condition of in-principle approval of another work resulting in unfruitful expenditure of ₹ 4.24 crore on incomplete work.

(Paragraph 3.2)

Avoidable extra expenditure

Laying of Dense Grade Bituminous Macadam on diversion roads on the basis of incorrect traffic data given by the contractor in contravention of Indian Roads Congress specification resulted in extra expenditure of ₹ 2.88 crore.

(Paragraph 3.3)

SOCIAL SECURITY AND WOMEN AND CHILD DEVELOPMENT DEPARTMENT**Failure to establish Children Homes and Observation Homes**

Due to the State Government's failure to provide suitable land, Children Homes and Observation Homes could not be established in the State even six years after release of Central assistance by the Government of India.

(Paragraph 3.4)

SOIL AND WATER CONSERVATION, AND WATER RESOURCES DEPARTMENTS**Unfruitful expenditure and avoidable loss**

Failure of the Soil and Water Conservation and the Water Resources Departments to obtain consent of land owners prior to start of project of laying underground pipeline on outlet located on Ullak Minor (RD 50/L) and to ensure availability of sufficient water prior to approval of outlet resulted in blockade of ₹ 5.33 crore and loss of ₹ 1.25 crore.

(Paragraph 3.5)

WATER RESOURCES DEPARTMENT**Avoidable payment of Fixed Charges**

Delay in initiating the process of reduction in connected load as well as complying with the requirements of Punjab State Power Corporation Limited resulted in avoidable payment of ₹ 2.69 crore on account of fixed charges.

(Paragraph 3.6)

Unfruitful expenditure

Failure of the Water Resources Department to ensure hindrance-free site prior to allotment of work for re-lining of Moonak Branch System and non-observance of codal provisions resulted in unfruitful expenditure of ₹ 1.40 crore on incomplete work.

(Paragraph 3.7)

Chapter-I

Introduction

Chapter-I

Introduction

1.1 Budget profile

There are 41 departments, 49 autonomous bodies and 49 State Public Sector Enterprises (SPSE) in the State¹. The position of budget and expenditure incurred there-against by the State Government during 2015-20 is given in **Table 1.1**.

Table 1.1: Budget and actual expenditure of the State during 2015-20

(₹ in crore)

Expenditure	2015-16		2016-17		2017-18		2018-19		2019-20	
	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals
Revenue expenditure										
General Services	24,324.90	24,713.44	28,964.59	28,487.93	34,091.34	34,499.50	37,493.10	36,930.51	43,540.25	38,614.35
Social Services	16,845.48	14,897.86	17,872.31	15,672.10	19,072.44	15,469.74	20,097.54	18,320.37	24,982.03	19,483.85
Economic Services	11,011.59	9,756.04	13,859.37	10,217.61	15,341.16	11,194.41	21,185.35	17,888.17	17,532.96	14,551.12
Grants-in-aid and Contributions	982.56	706.15	2,037.53	918.41	2,676.96	1,301.20	3,541.98	2,264.66	6,717.05	3,210.32
Total	53,164.53	50,073.49	62,733.80	55,296.05	71,181.90	62,464.85	82,317.97	75,403.71	92,772.29	75,859.64
Capital expenditure										
Capital Outlay	4,353.57	3,059.42	6,117.46	4,346.30	4,388.76	2,352.08	4,871.57	2,412.24	6,821.68	17,827.73
Loans and Advances disbursed	445.20	5,968.59	42,870.86	41,364.12	2,197.12	760.05	1,602.64	1,361.05	923.63	783.88
Repayment of Public Debt (including Ways and Means Advances)	20,636.48	22,051.13	32,791.86	32,443.29	35,029.64	34,969.58	38,623.32	37,770.93	39,482.08	39,573.90
Contingency Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Public Account disbursements*	46,227.64	53,446.58	51,520.73	50,599.95	13,238.24	45,525.90	18,282.51	62,271.76	59,068.32	64,328.24
Closing Cash Balance	-	(-) 14.63	-	395.28	-	488.45	-	1,324.83	-	2,125.06
Total	71,662.89	84,511.09	1,33,300.91	1,29,148.94	54,853.76	84,096.06	63,380.04	1,05,140.81	1,06,295.71	1,24,638.81
Grand Total	1,24,827.42	1,34,584.58	1,96,034.71	1,84,444.99	1,26,035.66	1,46,560.91	1,45,698.01	1,80,544.52	1,99,068.00	2,00,498.45

Source: Annual Financial Statements and Explanatory Memorandum of the Budget of the Government of Punjab

* Excludes transactions of investment of cash balances and departmental cash in chests.

1.2 Application of resources of the State Government

As against the total budget outlay of ₹ 1,99,068 crore, the application of resources was ₹ 2,00,498.45 crore during 2019-20. The total expenditure² of the State increased by 60 per cent from ₹ 59,101 crore to ₹ 94,471 crore during the period 2015-16 to 2019-20 while the revenue expenditure increased by 51 per cent from ₹ 50,073 crore to ₹ 75,860 crore during the same period. The revenue expenditure constituted 80 to 95 per cent of the total expenditure (except for the year 2016-17 when it was 55 per cent³) while the capital

¹ Pertaining to Social, General and Economic Sectors.

² Total of Revenue Expenditure, Capital Outlay and Loans and Advances.

³ Though the revenue expenditure increased by 10.43 per cent during the year, it depicted a small proportion (55 per cent) of total expenditure due to the increase in the disbursement of loans and advances by 593.03 per cent.

expenditure was three to five *per cent* of total expenditure during 2015-20 except for the year 2019-20 when it increased to 19 *per cent* due to conversion of loans amounting to ₹ 15,628 crore into equity in Punjab State Power Corporation Limited under Ujwal DISCOM Assurance Yojana (UDAY).

During the period from 2015-16 to 2019-20, the revenue expenditure increased at an annual average growth rate of 10.42 *per cent* whereas revenue receipts grew at an annual average rate of 9.76 *per cent*.

1.3 Persistent excess expenditure

During the last five years, in three cases, there was persistent excess expenditure of more than ₹ 50 crore in each case, as detailed in **Table 1.2**. In two cases (Sr. No. 2 and 3), the expenditure was incurred without any budget provision during 2015-20.

Table 1.2: Persistent excess expenditure during 2015-16 to 2019-20

<i>(₹ in crore)</i>						
Sr. No.	Description of Grant/Appropriation	2015-16	2016-17	2017-18	2018-19	2019-20
1.	Grant No.-08-Finance 2071-Pensions and other Retirement benefits 01-Civil 101-Superannuation and Retirement Allowances 01-Pension and other Retirement Benefits	664.92	697.98	616.95	290.39	187.05
2.	Grant No.-21-Public Works 2059-Public Works 80-General 001-Direction and Administration 07-Establishment Charges paid to Public Health Department for Works done by that Department	108.53	136.71	146.84	97.58	118.91
3.	Grant No.-21-Public Works 3054-Roads and Bridges 80-General 001-Direction and Administration 01-Establishment charges transferred on pro-rata basis to the Major Head 3054-Roads and Bridges	135.53	94.10	141.29	169.87	213.90

Source: Appropriation Accounts

1.4 Grants-in-aid from the Government of India

The Grants-in-aid (GIA) from the Government of India (GoI) increased by ₹ 3,473 crore (31.26 *per cent*) in 2019-20 over the previous year as shown in **Table 1.3**.

Table 1.3: Grants-in-aid received from Government of India

Particulars	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Non-Plan Grants*	1,274.64	1,610.35	--	--	--
Grants for State Plan Schemes*	2,320.12	2,523.14	--	--	--
Grants for Centrally Sponsored Plan Schemes*	237.20	563.69	(-)0.63	(-)74.21	(-)68.84
Grants for Centrally Sponsored Schemes	341.76	78.65	3,096.13	3,091.70	2,864.31
Finance Commission Grants	--	--	355.69	719.54	2,710.13
Other transfers/Grants to States/ Union Territories with Legislature ⁴	--	--	4,199.81	7,370.34	9,074.43
Total	4,173.72	4,775.83	7,651.00	11,107.37	14,580.03
Percentage of increase over the previous year	(-) 28.90	14.43	60.20	45.18	31.26
Percentage of GIA to Revenue Receipts	10.05	9.95	14.43	17.84	23.68

Source: Finance Accounts

* Non-plan and plan grants merged with effect from 01 April 2017.

The GIA from GoI increased at an annual average rate of 24.43 per cent during the period 2015-16 to 2019-20. Other transfers to State include GST Compensation of ₹ 8,805 crore during 2019-20. The increase in GIA during the current year was due to substantial increase in GST compensation by ₹ 1,676 crore⁵ (23.51 per cent); and Finance Commission grants by ₹ 1,991 crore (276.65 per cent) over the previous year. Further, the contribution of GIA towards revenue receipts increased from 10.05 per cent in 2015-16 to 23.68 per cent in 2019-20.

In addition to the above, the GoI had been transferring sizeable funds directly to the State implementing agencies for implementation of various schemes. The GoI decided to route these funds through State budget from 2014-15 onwards. However, during 2019-20, the GoI transferred ₹ 4,551.70 crore directly to various implementing agencies/Non-Governmental Organizations of the State. Also, the Central Government infused ₹ 5.79 crore in equity of Punjab Scheduled Castes Land Development and Finance Corporation in 2019-20.

1.5 Planning and conduct of audit

The audit process commences with risk assessment of various departments, autonomous bodies, SPSEs and schemes/projects which involves assessing the criticality/complexity of activities, the level of delegated financial powers, internal controls and concerns of stakeholders and previous audit findings. Based on the risk assessment, the frequency and extent of audit are decided and an Annual Audit Plan is formulated.

⁴ Includes Grants for State Plan Schemes and GST compensation.

⁵ ₹ 8,804.54 crore (2019-20) - ₹ 7,129.00 crore (2018-19) = ₹ 1,675.54 crore.

After completion of audit, an Inspection Report containing audit findings is issued to the head of the office with the request to furnish replies within four weeks. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Important audit observations pointed out in these Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India which are to be submitted to the Governor of Punjab under Article 151(2) of the Constitution of India.

During 2019-20, compliance audit of 1,658 Drawing and Disbursing Officers (DDO) and 19 autonomous bodies of the State, under Sections 19(2), 19(3) and 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 was conducted by the office of the Principal Accountant General (Audit), Punjab.

1.6 Significant audit observations and response of Government to audit

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities as well as on the quality of internal controls in selected departments which have negative impact on the success of programmes and functioning of the departments. The focus was on offering suitable recommendations to the Executive for taking corrective action and improving service delivery to the citizens. The departments are required to send their responses to draft paragraphs proposed for inclusion in the Comptroller and Auditor General of India's Audit Reports within six weeks.

Chapter-II of this Audit Report contains 13 compliance audit paragraphs pertaining to SPSEs which were forwarded to the concerned Administrative Secretaries. The total financial implication of these paragraphs is ₹ 85.31 crore. Replies to ten paragraphs were received from the Management of SPSEs and replies to only three compliance audit paragraphs⁶ have been received from the Administrative Departments which have been suitably incorporated in the Audit Report.

Chapter-III of this Audit Report contains seven compliance audit paragraphs which were forwarded to the concerned Administrative Secretaries. The total financial implication of these paragraphs is ₹ 28.23 crore. Replies to only two compliance audit paragraphs⁷ have been received from the Administrative Departments, which have been suitably incorporated in the Audit Report.

⁶ Paragraph Nos. 2.1, 2.3 and 2.8.

⁷ Paragraph Nos. 3.1 and 3.4.

1.7 Recoveries at the instance of audit

The audit findings involving recoveries that came to notice in the course of test audit of accounts of the Government departments were referred to the various departmental Drawing and Disbursing Officers for confirmation and further necessary action under intimation to Audit. An amount of ₹ 0.36 crore was recovered during 2019-20 by various departments after being pointed out by Audit through Inspection Reports.

1.8 Lack of responsiveness of Government to Audit

After periodical inspection of the Government departments, the Principal Accountant General (Audit), Punjab issues the Inspection Reports (IR) to the heads of offices audited, with copies to the next higher authority. The executive authorities are expected to promptly rectify the defects and omissions pointed out and report compliances to the Principal Accountant General (Audit) within four weeks. Half-yearly reports of IRs pending for more than six months are also sent to the concerned Administrative Secretaries of the Departments to facilitate monitoring and compliance of the audit observations in the pending IRs.

As of June 2020, 14,887 Inspection Reports containing 46,532 paragraphs (issued up to March 2020) having money value of ₹ 39,347 crore were outstanding, of which 8,642 IRs containing 17,635 paragraphs having money value of ₹ 10,779 crore pertained to the period prior to April 2015 i.e. more than five years old. The year-wise position of outstanding Inspection Reports/paragraphs along with their money value is given in **Table 1.4**.

Table 1.4: Outstanding Inspection Reports/paragraphs

Particulars	Prior to April 2015	2015-16	2016-17	2017-18	2018-19	2019-20	Total
Inspection Reports	8,642	1,009	1,091	1,207	1,386	1,552	14,887
Paragraphs	17,635	3,880	4,295	5,225	6,321	9,176	46,532
Money value (₹ in crore)	10,779.06	5,674.24	4,526.92	4,897.53	7,665.04	5,804.19	39,346.98

Source: Office records

Pendency of such large number of paragraphs indicated lack of responsiveness of the Government departments to Audit.

1.9 Follow-up action on Audit Reports

The Finance Department issued (August 1992) instructions to all the Administrative Departments to initiate *suo motu* action on all audit paragraphs and reviews (performance audits) figuring in the Audit Reports of the Comptroller and Auditor General irrespective of whether the cases were taken up for examination by the Committee on Public Undertakings (COPU)/Public

Accounts Committee (PAC). The Administrative Departments were also required to furnish detailed notes to the COPU/PAC, duly vetted by Audit, indicating the remedial action taken or proposed to be taken by them within a period of three months of the presentation of the Reports to the State Legislature.

As regards the Audit Reports to be discussed in COPU relating to the periods 2012-13, 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18 which were laid before the State Legislature, Action Taken notes in respect of seven performance audits and 51 paragraphs had not been received in the Audit office as on 31 March 2021 (*Appendix 1.1*).

As regards the Audit Reports to be discussed in PAC relating to the periods 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18 which were laid before the State Legislature, Action Taken notes in respect of six performance audits and 30 paragraphs had not been received in the Audit office as on 31 March 2021 (*Appendix 1.2*).

1.10 Submission of accounts

1.10.1 Autonomous Bodies

Several autonomous bodies have been set up by the Government in the fields of Urban Development, Housing, Labour Welfare, Agriculture and Justice. As on 31 March 2020, 20 accounts in respect of five out of nine autonomous bodies from 2006-07 to 2018-19 were pending as detailed in **Table 1.5**.

Table 1.5: Arrears of accounts of bodies or authorities as on 31 March 2020

Sr. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending up to FY 2019-20
1.	Punjab Legal Services Authority, Chandigarh	2018-19	1
2.	Punjab Khadi and Village Industries Board, Chandigarh	2017-18	2
3.	Punjab State Human Rights Commission, Chandigarh	--	0
4.	Punjab Labour Welfare Board, Chandigarh	2006-07	13
5.	Pushpa Gujral Science City, Kapurthala	--	0
6.	Punjab Building and Other Construction Workers' Welfare Board, SAS Nagar	2017-18	2
7.	Punjab Bus Metro Society, Amritsar	2017-18	2
8.	Punjab State Electricity Regulatory Commission, Chandigarh	--	0
9.	Real Estate Regulatory Authority, Chandigarh	--	0
Total			20

Source: Departmental data/information

Note: Cut-off date of the pendency of any previous Financial Year is to be taken as 30 September of succeeding Financial Year.

Delay in respect of five autonomous bodies out of nine ranged between one to thirteen years, of which the Punjab Labour Welfare Board had not submitted its accounts since 2006-07. Delay in finalisation of accounts carries the risk of financial irregularities going undetected and, therefore, the accounts need to be finalised and submitted to Audit at the earliest.

1.10.2 State Public Sector Enterprises

Out of 33 working SPSEs, 12 SPSEs submitted their accounts for the year 2019-20 for audit by the Comptroller and Auditor General of India on or before 31 December 2020⁸ as per statutory requirement.

Details of arrears in submission of accounts of working SPSEs⁹ for the last three years ending 31 March 2020 are given in **Table 1.6**.

Table 1.6: Position relating to submission of accounts by the SPSEs

Sr. No.	Particulars	2017-18	2018-19	2019-20
1.	Number of working SPSEs	33	33	33
2.	Number of accounts submitted during current year	37	41	31
3.	Number of SPSEs which finalised accounts for the current year	9	9	12
4.	Number of previous year accounts finalised during current year	28	32	19
5.	Number of SPSEs with arrears in accounts	24	24	21
6.	Number of accounts in arrears	45	34	36
7.	Extent of arrears	One to eight years	One to four years	One to five years

Source: Compiled from accounts of working other than Power Sector SPSEs received during the period October 2019 to December 2020

Delay in finalisation of financial statements in respect of 21 SPSEs, out of 33 working SPSEs, ranged between one to five years. Further, 36 annual financial statements were in arrears in respect of these 21 SPSEs. The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these SPSEs within the stipulated period. The concerned Departments were informed half yearly by the Principal Accountant General (Audit), Punjab regarding arrears in finalisation of accounts by the SPSEs.

In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. Due to the delay in finalisation of accounts, the GoP investment in these SPSEs remained outside the scrutiny of the State Legislature.

⁸ Due date for holding of Annual General Meeting was extended up to 31 December 2020 for the financial year 2019-20 as per the Registrar of Companies order of 8 September 2020.

⁹ Paragraph No. 1.1 and 2.1 of General Purpose Financial Report – State Public Sector Enterprises – Government of Punjab for the year 2019-20 refers.

Chapter-II

Social, General and Economic Sectors (Public Sector Undertakings)

Chapter-II

Social, General and Economic Sectors (Public Sector Undertakings)

Important audit findings emerging from test-check of transactions of State Government companies and statutory corporations have been included in this chapter. This chapter contains 13 paragraphs having a financial implication of ₹ 85.31 crore.

POWER DEPARTMENT

Punjab State Power Corporation Limited

2.1 Non-recovery of dues

Non-compliance with the provisions of Electricity Supply Instructions Manual of the Company and PSERC (Electricity Supply Code & Related Matters) Regulations, 2014 resulted in non-recovery of ₹0.83 crore.

As per Electricity Supply Instructions Manual (ESIM) of the Punjab State Power Corporation Limited (Company), every consumer is expected to make the payment of his dues by the 'due date'. In the event of default to discharge the payment liability, the premises will be liable for disconnection of electricity supply under Section-56 of the Electricity Act 2003. Also, Regulation no 32.1 of the PSERC (Electricity Supply Code & Related Matters) Regulations, 2014 (PSERC Regulations, 2014) provides that if a consumer fails to deposit the billed amount with the Company by the due date mentioned in the bill, the Company may, after giving not less than fifteen clear days' notice, disconnect the electricity supply to the consumer until such charges or other sum together with any expenses incurred by the Company in disconnecting and reconnecting the supply are paid.

The Company served (27 July 2018) to a Large Supply Consumer¹, a supplementary bill of ₹ 28.38 lakh towards recovery of wrong excess credits² given during December 2017 to July 2018. The Consumer instead of making payment, approached (August 2018) Consumers' Grievances Redressal Forum (CGRF) who decided (October 2018) in favour of the Company. The Consumer filed (January 2019) an appeal in the Court of Lok Pal (Ombudsman), Electricity, Punjab against the orders of CGRF who also upheld (April 2019) decision of the CGRF and ordered recovery of the amount

¹ Account no. 3003018347 under Unit-III Sub Division (Sahnawal), Estate (Special) Division, DS City West Circle, PSPCL, Ludhiana.

² On account of difference between payments deposited by the Consumer *vis-à-vis* credited to the Consumer's account by the Company.

due, after adjustment of 40 *per cent* amount already deposited, to be effected through subsequent energy bills in twelve monthly interest free installments along with current energy bills.

The Consumer, however, failed to deposit the amount as per decision of the Ombudsman and further defaulted in payment of electricity supply dues with effect from June 2019. The connection of the consumer was, however, disconnected on 25 September 2019 by field staff. Up to October 2019, the unpaid dues of the consumer had accumulated to ₹ 1.01 crore. After adjusting Advance Consumption Deposit³ (ACD) of the Consumer, lying with the Company, and interest payable on ACD, the net unrecovered amount worked out (August 2020) to ₹ 83.11 lakh.

Audit observed:

- The ACD of the Consumer lying with the Company was inadequate. The Company did not review the ACD as per the instructions⁴ of the PSERC. The ACD of the consumer was last reviewed in May 2010. Based on consumers' consumption, the Additional Advanced Consumption Deposit worked out to ₹ 76.82 lakh, against which the actual ACD held was ₹ 29.41 lakh only. However, an inflated figure of ACD amounting to ₹ 44.71 lakh instead of ₹ 29.41 lakh was wrongly shown in Consumer's bills/ SAP records.
- The Ombudsman ordered for recovery of the wrongful excess ACD credits on 25 April 2019 but the consumer did not pay the dues. Despite the default in payment of electricity supply dues with effect from June 2019, the consumer's connection was disconnected belatedly by field staff only on 25 September 2019 (after three⁵ months) in violation of ESIM and PSERC Regulation, 2014.
- Legal case for recovery of the electricity supply dues was filed (October 2020) against the Consumer after lapse of 12 months from the date of permanent disconnection of the electricity supply.

Thus, non-compliance with provisions of ESIM and PSERC Regulations, 2014 regarding disconnection of electricity supply of defaulter consumers and

³ ₹ 29.41 lakh.

⁴ As per Regulation 16.1 of the PSERC (Electricity Supply Code & Related Matters) Regulations, 2014, all Large Supply consumers are required to maintain, an amount equivalent to consumption charges (i.e. fixed and variable charges as applicable) for one and a half month as Security (Consumption) with the Company, during the period of agreement for supply of electricity. Further, Regulation 16.4 provides for annual review of adequacy of such security deposit, based on the average monthly consumption for the twelve months' period from April to March of the previous year.

⁵ From 14 June 2019 (i.e. date of first default) to 25 September 2019.

non-maintenance of due ACD resulted in non-recovery of ₹ 0.83 crore which is a loss to the Company.

The State Government/Management while accepting (February 2021/ April 2021) the audit observation stated that disciplinary action has been initiated against the delinquent officers/officials and recovery suit has been filed (October 2020). The fact, however, remains that there were control weaknesses in the company which led to wrong excess credits and failure to update ACD of the consumer resulted in non-recovery of ₹ 0.83 crores.

The Company should finalise enquiry into the matter and fix responsibility of defaulting officials who recorded higher than the actual receipt of ACD, and failed to take prompt action for recovery subsequent to the Court order.

2.2 Delay in disconnection

Delay in disconnection of electricity supply to a continuously defaulting consumer in violation of statutory provisions resulted in accumulation and non-recovery of dues amounting to ₹1.08 crore.

Section 56 of the Electricity Act 2003 read with Regulations 31 and 32 of the Supply Code 2014⁶ provides that where a consumer fails/ neglects to pay the billed amount or any charge for electricity due from him in respect of supply or distribution of electricity to him, the distribution licensee may, after giving not less than fifteen clear days' notice in writing, to such consumer and without prejudice to his rights to recover such amount by suit, disconnect the supply of electricity until such charge or other sum, together with any expenses incurred by him in disconnecting and reconnecting the supply, are paid. Electricity Supply Instructions Manual (ESIM) of Punjab State Power Corporation Limited (Company) also provides that every consumer is expected to make the payment of his dues by the 'due date' and in case of failure in payment, his premises will be liable for disconnection under the Act. Notice for disconnection must be issued next day after the due date as per Supply Code 2014. ESIM also provides that the concerned distribution officers are not competent to grant stay or to allow installments against payment of the current energy bills.

A Non Residential Supply (NRS) connection with sanctioned load of 30 KW was released (October 2010) to a new consumer in Ghubaya Sub-division of Jalalabad Division under Ferozpur Circle. The consumer started defaulting in paying the due energy bills and did not pay any amount from September 2011 to February 2012. The accumulated unpaid energy bills at this stage were

⁶ Punjab State Electricity Regulatory Commission (Electricity Supply Code and Related Matters) Regulations 2014.

₹ 1.54 lakh (February 2012). The consumer made only partial payments against due energy bills during March 2012 to January 2014 and the defaulting dues accumulated to ₹ 4.12 lakh (January 2014). The consumer did not make any payment against either the unpaid balance or monthly energy bills after January 2014 but no action to permanently disconnect the supply of the consumer in accordance with the standing orders was taken by the Company. The unpaid dues kept on accumulating and had increased to ₹ 1.08 crore (December 2020) when the connection was finally permanently disconnected.

The reasons/ justification for long delay in disconnection of the consumer who was continuously defaulting in paying energy bills since release of connection were not on records. This indicates that the Company's authorities had been extending undue favour to this continuously defaulting consumer in violation of statutory provisions by not disconnecting its connection.

Failure to take timely action for disconnection of electricity supply to a defaulting consumer was in violation of the Electricity Act 2003; Supply Code 2014; and ESIM of the Company and resulted in accumulation of defaulting dues amounting to ₹ 1.08 crore. The chances of recovery are remote as connection of the consumer has already been disconnected.

The Management stated (September 2021) that efforts were made to recover the defaulting amount but amount was not deposited by the consumer. The connection of the consumer was permanently disconnected in December 2020 and recovery suit has been filed in Judicial Court, Jalalabad for recovery of defaulting amount.

The matter was referred to the State Government (April 2021); their replies were awaited (September 2021).

The Company should enforce its extant rules against consumers who default in payment of their due energy charges to safeguard its financial interests.

2.3 Irregular tariff concession

The Company provided tariff concession of ₹ 1.21 crore to mushroom farming consumers without enabling formal orders of the State Government resulting in non-realisation of tariff concession allowed.

Section 65 of the Electricity Act, 2003 (Act) has provisions which enable grant of subsidy by State Governments to consumers in their power tariff determined by the State Electricity Regulatory Commissions. The said section provides that if the State Government desires to grant subsidy to any class of consumers, they have to pay the subsidy amount to the concerned power distribution entity in advance and in such manner as may be directed by the

concerned State Electricity Regulatory Commission. Further, Regulation 53 of the Punjab State Electricity Regulatory Commission (Conduct of Business) Regulations, 2005 provides that the Punjab State Electricity Regulatory Commission (PSERC) upon receiving proposal for grant of subsidy from the State Government shall determine the amount to be paid as subsidy and the terms and conditions of such payment including the manner of payment of subsidy amount.

Government of Punjab (GoP) decided (24 June 2015) that consumers engaged in mushroom farming will be billed at same tariff rates as are applicable to the Agriculture Pumpset (AP) supply consumers instead of at Industrial tariff rates. Director (Horticulture), Government of Punjab conveyed (30 July 2015) the decision of GoP to the Company and sought an Action Taken Report in this regard. To carry out these directions, the Company requested (10 November 2015) GoP to confirm its commitment/ approval regarding passing on the tariff compensation⁷ so that mushroom farming consumers may be covered under AP metered tariff instead of Industrial tariff. The Company, however, upon the directions (8 February 2016) of the GoP and without waiting for a formal enabling orders or any commitment from Government to bear the difference between industrial tariff and the lower AP metered tariff, issued (9 February 2016) a Commercial circular directing its offices to bill mushroom farming consumers under AP metered tariff category.

The Company worked out the annual financial liability for charging AP metered tariff to the mushroom farming connections and filed (September 2016) a petition before the PSERC to consider charging AP metered tariff from the mushroom farming consumers subject to payment of subsidy by the GoP towards compensation of loss due to difference in tariff rates.

Subsequently, owing to non-receipt of any enabling formal orders from GoP and increasing subsidy burden, which had accumulated to ₹ 1.21 crore⁸, the Company decided (18 April 2017) to keep its directions of February 2016 in abeyance and to carry out the billing of mushroom farming consumers at Industrial tariffs. PSERC also dismissed (November 2017) the Company's petition (September 2016) citing the fact that the Company had issued the Commercial Circular dated 9 February 2016 without its approval and that the GoP had not submitted any communication to PSERC for granting subsidy to the particular class of consumers and had made no commitment to bear the subsidy payable. The Company finally decided (January 2018) to withdraw the concession allowed (February 2016) and recover the monetary concession already allowed, from the benefitted consumers.

⁷ On account of difference between tariff of industrial consumers and AP metered consumers.

⁸ For the period from 9 February 2016 to 18 April 2017.

However, various mushroom farming consumers aggrieved at the recovery of the concession allowed, approached (2018) the Hon'ble Punjab & Haryana High Court who set aside (September 2019) the Company decision of recovery of concession in tariff already allowed. Based on the legal opinion (May 2020), the Company decided (June 2020) not to file further appeal against the decision.

Audit observed that the decision of the Company to bill mushroom farming consumers under AP metered tariff instead of Industrial tariff, without any enabling formal orders/approval/commitment of the State Government, was a violation of provisions of Electricity Act, 2003. This resulted in extending irregular tariff concession of ₹ 1.21 crore to the mushroom farming consumers and non-recovery thereof.

The Management stated (May 2021) that Government of Punjab has been requested (December 2020) to compensate the Company in lieu of charging lower tariff to mushroom farming consumers. The fact remains that there was violation of Electricity Act, 2003, besides the recovery of dues is still pending.

The matter was referred to the State Government (September 2020); their reply (July 2021) did not indicate any action taken by the Government on the audit observation.

The Company should provide subsidised electricity to any category of consumers only after observance of due procedures and issuance of enabling orders by the State Government to protect its financial interests.

2.4 Non recovery of pole hiring charges from cable operator

Delay in verification of number of electricity poles being used by a cable TV operator followed by delay in raising of due demand and non-pursuance for payment of rentals and penalty resulted in non-recovery of ₹6.12 crore besides associated loss of interest of ₹1.09 crore.

The Electricity Supply Instructions Manual (ESIM) of Punjab State Power Corporation Limited (the Company) allows hiring of electricity poles for use by cable television (TV) network operators at rates prescribed from time to time. Any cable TV operator who wants to hire electricity poles in any city/area of the State is required to provide details of poles to be hired to the concerned Circle/Zonal office who after due verification process can execute the agreement. If the area of operation of the TV operator falls under more than one zone, after verification, the agreement can be executed separately for each zone or one agreement for two or more zones can be executed centrally, with Chief Engineer (Commercial) as the Nodal Officer. The rentals for hiring of poles are required to be deposited as advance monthly payment. The competent authority shall levy penalty at double the hiring rate per pole *per annum* on total excess number of poles detected as being used during checking

by Company, if the variation is found beyond 5 *per cent*, along with advance payment in the succeeding month after detection.

A cable operator executed (December 2016) an agreement centrally with the Company for hiring of 1,21,125 poles in the State. The rate for hiring of poles was fixed at ₹ 150 per pole *per annum* from 2016-17 onwards till further revision by the Company.

Audit observed:

a) The Company completed (July 2017) its verification of the actual number of poles being used by the cable TV operator, after a delay of seven months. It was found that the cable TV operator was using as many as 2,74,098 poles against the contracted 1,21,125 poles. Thus, in accordance with the terms of contract with the TV operator, the Company was required to recover the due penalty of ₹ 2.68 crore⁹ along with advance payment during July 2017 itself. However, the levy of penalty of ₹ 2.68 crore was intimated (May 2019) to the TV operator after a lapse of around two years and that too after being pointed out (July 2018) by Audit. The penalty amount was yet (August 2021) to be recovered which had an associated cost of loss of interest amounting to ₹ 1.09 crore¹⁰.

b) To incorporate correct number of poles, the Company signed (May 2018) agreement with the cable operator for 2,74,098 poles. The rentals for hiring of poles were required to be deposited as advance monthly payment. However, the cable TV operator was irregular in payment of monthly advance rentals. The Company could not levy any interest on delayed payments owing to absence of any enabling provision in the ESIM and contract agreement.

Subsequently, a penalty clause was inserted (July 2019) in the ESIM which provided for levying penalty in case of delay in advance payment of pole hiring rentals beyond due date at the rate of one *per cent* per month of delay or part thereof. The penalty clause also provided for removal of cable at the cost of the cable TV operator, if the payment was not made within three months.

Audit observed that the cable TV operator continued to be irregular in payment of monthly advance rentals and the recoverable rentals had accumulated to ₹ 2.73 crore by August 2021. However, neither due penalty amounting to ₹ 0.71 crore (July 2019 to August 2021) was levied on the cable TV operator nor any action for removal of cables of the operator in accordance with the provisions of ESIM was initiated by the Company.

Thus, execution of agreement without verification followed by delay in verification of poles being used by the cable TV operator and failure to take

⁹ Calculated at double the hiring rate (₹ 150) per pole *per annum* on total excess number of poles (1,52,973) for seven months (14 December 2016 to 14 July 2017)

¹⁰ Calculated at rate of interest on working capital allowed by Punjab State Electricity Regulatory Commission in the tariff orders for the year 2017-18 to 2021-22.

action for non-payment of pole hiring rentals in time had resulted in non-recovery of ₹ 6.12 crore (₹ 2.68 crore on account of penalty for excess poles used, ₹ 2.73 crore for pole hiring rentals and ₹ 0.71 crore on account of penalty for delayed payment of rentals) and loss of interest of ₹ 1.09 crore¹¹ (up to August 2021).

The Management stated (October 2021) that continuous efforts are being made to recover the pending monthly rentals and penalty amount from the cable operator. The fact, however, remained that an amount of ₹ 6.12 crore was recoverable as on August 2021.

The matter was referred to the State Government (April 2021); their reply was awaited (September 2021).

The Company may take action to recover the due rent from the cable TV operator and strengthen the monitoring of its commercial agreements.

2.5 Incorrect application of industrial tariff for commercial supply

The Company did not ensure compliance with Electricity Supply Code, 2014 by the distribution franchisee leading to incorrect application of industrial tariff for electricity consumed for commercial purpose by a consumer with resultant loss of ₹77.63 lakh.

In terms of Regulation no. 6.6.2 of Electricity Supply Code, 2014, the Company may appoint a franchisee for a particular area of supply. It may provide single point supply on an application by the franchisee for making electricity available within the particular area to residential colonies, commercial complexes, industrial complexes, IT parks and other single point supply consumers.

The franchisee so appointed has to adhere to provisions of Supply Code 2014 including those of standards of performance and other regulations framed by the Commission¹² including the tariff orders. The distribution franchisee shall issue regular monthly electricity bills to the consumers at applicable category tariff rates and shall also be responsible for collection of revenue and for depositing the same with the Company. The franchisee will also maintain all records of consumers along with the category of tariff and provide the same to the Company every month.

In accordance with these provisions of Supply Code 2014, the Company appointed a distribution franchisee under Focal Point Division, Ludhiana for distribution of electricity within the area of its industrial park and provided

¹¹ Calculated for the period from July 2017 to August 2021 on unrecovered penalty of ₹ 2.68 crore for excess poles used.

¹² Punjab State Electricity Regulatory Commission.

(March 2016) it with a single point connection under large supply (LS) industrial category with sanctioned load of 850 KW and contract demand of 925 KVA.

During audit (January 2021) of City East Circle, it was noticed that the franchisee was not supplying updated billing records of consumers in the billing data base, along with their category, to the Company on monthly basis. During test check of records, it was noticed that the franchisee applied (March/ May 2018) to the Company for extension of its sanctioned load by 483 KW and contract demand by 525 KVA for issuing a new connection to a consumer for operating its wholesale store in Ludhiana. The Company in order to cater to the electricity requirements of the new consumer for commercial usage, increased (September 2018) the sanctioned load and contract demand of single point connection of distribution franchisee to 1,333 KW and 1,450 KVA.

Audit observed that as the load/demand requirement of the new consumer was for commercial usage, its electricity supply connection was required to be categorised under non residential supply (NRS) category. Audit further observed that the Company had not obtained the details and billing records of various consumers being catered to by the distribution franchisee in violation of Supply Code 2014 and the franchisee agreement. In the absence of billing details of consumers, total consumption recorded at single point connection of distribution franchisee was being billed under LS industrial tariff which was lower than the NRS tariff applicable for consumption of electricity by the consumer.

Considering proportionate electricity consumption¹³ of the consumer in the electricity bills of distribution franchisee, the application of incorrect tariff for electricity consumed by the consumer due to violation of Supply Code 2014 and franchisee agreement, had resulted in loss of ₹ 77.63 lakh¹⁴ to the Company/Government of Punjab in the shape of energy charges, power subsidy and statutory duties during September 2018 to February 2021.

The matter was referred to the Company and State Government (April 2021); their replies were awaited (July 2021).

The Company may review its franchisee agreements to ensure compliance with the Supply code and application of correct tariffs to safeguard its financial interests.

¹³ Electricity consumed by the consumer has been calculated based on proportionate connected load/ contract demand in the total connected load/ contract demand of distribution franchisee.

¹⁴ Tariff difference: ₹ 23.98 lakh + Punjab Government Subsidy: ₹ 40.71 lakh + ED&ID: ₹ 12.94 lakh.

2.6 Injudicious renewal of Microsoft Software licenses

Renewal of Microsoft Software licenses without proper assessment of requirement by the Company resulted in to an avoidable expenditure of ₹69.11 lakh.

Punjab State Power Corporation Limited (Company) issued (April 2018) a purchase order valuing ₹ 8.55 crore to a firm for renewal of support for ten Microsoft Software licenses installed in the Company. Two of these licenses procured by the Company included 3,000 e-mail exchange¹⁵ licenses under its domain and 3,700 Windows Server Client Access¹⁶ licenses. The terms of purchase order provided for delivery of e-licenses within two weeks from issuance of purchase order with support to be provided for a period of three years from the date of renewal after delivery of e-licenses. The e-licenses were delivered to PSPCL on 27 April 2018 with support validity up to April 2021.

It was noticed that as per the utilization status of the software licenses as of February 2020, provided by the Company, 670 e-mail exchange licenses under PSPCL domain valuing ₹ 73.79 lakh and 1,600 Windows Server Client Access licenses valuing ₹ 17.90 lakh were yet to be utilised. Thus, around 34 *per cent* of software licenses were not used even though two-third (22 months out of 36 months) of the contracted support period of these licenses was over. The utilisation of these software licenses could not be ensured by the Company even after the Audit observation (September 2020). The utilisation status of the software licenses as of April 2021 revealed that 163 e-mail exchange licenses valuing ₹ 17.95 lakh and 1,400 Windows Server Client Access licenses valuing ₹ 15.66 lakh still remained unutilised. Resultantly, 23 *per cent* of software licenses under *ibid* two license categories remained unutilised during entire contracted support period of these licenses. This indicated that the Company had purchased the support renewal for Microsoft software licenses without proper assessment of requirements.

The injudicious procurement of support renewal for various Microsoft Software licenses without proper requirement assessment and failure to monitor their usage resulted in an avoidable expenditure of ₹ 69.11 lakh¹⁷.

The matter was referred to the Company and the State Government (May 2021); their replies were awaited (July 2021).

¹⁵ E-mail exchange refers to online service which provides end users with a familiar email experience across web (internet), computers and mobile devices while giving system administrators web-based tools for managing online deployment of such service.

¹⁶ Windows Server Client Access refers to connecting to Windows server by users logging on to the system through desktops/laptops/workstations.

¹⁷ Calculated conservatively for proportionate period of 22 months up to February 2020 for 2,270 licenses and for period of 14 months from March 2020 to April 2021 for 1,563 licenses.

The Company may assess its Information Technology software/license needs to ensure their full utilisation.

AGRICULTURE AND FARMER WELFARE DEPARTMENT

Punjab Agri Export Corporation Limited

2.7 Infructuous expenditure on purchase of Pea Harvesting Machine

Company purchased a twenty year old second hand pea harvester machine without estimating its viability and usage potential for State's farm conditions. The machine could not be used thereby rendering ₹ 1.05 crore spent on its purchase wasteful.

Punjab Agri Export Corporation Limited (PAGREXCO) is engaged in the promotion of export of fresh agricultural produces mainly fruits, vegetables and flowers; organic farming and introduction and development of new agricultural technologies to improve the quality of agro products. To further the State Government's plans for crop diversification and encourage cultivation of fruits and vegetables, PAGREXCO decided to mechanise the activity of pea harvesting. The Company envisaged savings in the cost of production and early clearance of fields to be ready for the next crop.

Audit observed that the plan to mechanise the activity of pea harvesting was mooted by a private firm which was in the business of pea harvesting in Punjab. This private firm pursued with PAGREXCO, the purchase of pea harvester and intimated the availability of a suitable machine in Holland with M/s Ploeger Machines BV. Audit observed that M/s Ploeger Machines BV had already submitted the quote for the machine to the private firm. Officers of PAGREXCO visited (July 2014) Holland to inspect the functioning of a pea harvester. They decided that the refurbished twenty year old pea harvester, manufactured in 1995, by M/s Ploeger Machines BV costing ₹ 1.30 crore would be appropriate for the purpose. PAGREXCO formulated (September 2014) a detailed project report for submission to National Horticulture Mission for import of the pea harvester. The report envisaged that mechanization of pea harvesting would make Punjab pea processing units cost competitive and help capture major share of frozen green peas market. With the use of pea harvester, a saving of ₹ one crore *per* 1000 *acre* was estimated on labour cost. This project report was deficient as there was no analysis of suitability of the machine for Indian farm conditions.

PAGREXCO also proposed to seek assistance of State Government for purchase of the pea harvester and popularisation for its usage as it was an expensive piece of equipment. PAGREXCO, to fund the purchase, sought financial assistance in the form of grant of ₹ 80 lakhs from Punjab Rural

Development Board and ₹ 50 lakhs from Punjab State National Horticulture Mission Society. The Company received the requisite funds between September and November 2014 and a supply order was placed (September 2014) with M/s. Ploeger Machines BV at the cost of 1,09,450 Euros¹⁸.

The pea harvester manufacturers clarified (October 2014) that proper field preparation and flat fields without irrigation furrows were necessary for successful mechanised pea harvesting. The pea harvester was received in January 2015 and ₹ 1.05¹⁹ crore was incurred on its import.

Audit observed that the harvester was put to use only on 81 acres in 2016 against the intended target of 1000 acres and thereafter the machine had not been utilised till July 2020. It was observed that:

- Harvester was purchased merely based on the proposal of a private firm i.e. Pagro Foods Limited (PFL) without conducting any survey to ascertain farmers' demand.
- The private firm had used the machine only once for harvesting 81 acres and felt that (May 2015) there was need to study Europe's sowing practices for designing bed size and irrigation systems. In India, green peas were not sown on flat land, rather it was on furrows due to flood irrigation which was not suitable for ease of movement of Harvester. Besides it was not suitable for harvesting the variety of green peas grown in India;
- Feasibility study of usage of harvester in Indian fields was not conducted before its purchase. Despite the manufacturer's clarification that fields must be flat, the Company went ahead with the proposal;
- The seller did not provide warranty for the machine. They only guaranteed availability of spares for ten years of which five years had elapsed without using the machine to its optimum capacity;
- Demonstration of the pea harvesting machine was held only once on 13 March 2015 at Ladowal farm, Ludhiana. The advertisement was given in the different newspapers before purchase of machine (September 2014) and immediately after the purchase of machine (March 2015). Afterwards, no efforts were made to give wide publicity regarding the benefit and utilisation of the machine.
- The purchase was made with concurrence of Managing Director without any approval from Board of Directors.

¹⁸ excluding taxes and duties.

¹⁹ Cost price of machine: ₹ 85,13,792 *plus* Custom duty charges: ₹ 10,97,258 *plus* Custom clearing charges paid: ₹ 8,05,399 *plus* Transportation Charges: ₹ 50,562.

Thus, purchase of twenty year old second hand pea harvester machine without properly estimating its viability and usage potential for field conditions in the State resulted in its non utilisation, thereby rendering ₹ 1.05 crore spent on its purchase as wasteful.

The Management stated (May 2021) that with the introduction of mechanised harvesting of the green peas, there would be estimated savings in the cost of production and early clearance of fields thereby helping the farmers to take three crop rotations in a year. The reply is not acceptable as the intended objectives were not achieved. The machine remained unutilised as Company could not ensure flat field conditions necessary for ease of movement of the pea harvester.

The matter was referred to the Government (December 2020); their reply was awaited (July 2021).

Punjab Agro Foodgrains Corporation Limited

2.8 Misappropriation of paddy

Violations of the Custom Milling Policy and inadequate monitoring of the milling operations led to misappropriation of paddy of ₹5.49 crore.

Punjab Agro Foodgrains Corporation Limited (Company) procures paddy for Central Pool on behalf of Government of India (GOI); stores it with rice millers allotted by the Department of Food, Civil Supplies and Consumer Affairs (DFSC), Government of Punjab; gets it milled from the millers and delivers the resultant rice to Food Corporation of India (FCI) as per the Custom Milling Policy (CMP) of the State Government.

District office, Ferozepur of the Company stored (December 2017) 7,315.69 MT of paddy of the crop year Kharif Marketing Season (KMS) 2017-18 with a miller for milling and delivery of 4,901.51 MT of rice to FCI upto 31 March 2018. The CMP (September 2017) for KMS 2017-18 provided that 66 per cent of the milled rice will be delivered by 17 February 2018, 77 per cent upto 28 February 2018 and 100 per cent upto 31 March 2018. The miller could not adhere to the delivery schedule and delivered only 3,129.17 MT (63.84 per cent) rice upto 13 March 2018. Physical verification (PV) of stock at mill premises on 28 February 2018 by the Company showed shortage of 2,645.28 MT paddy valuing ₹ 5.49 crore. The Company registered (April 2018) a First Information Report with the police and initiated (26 July 2018) arbitration proceedings against the miller. Company also filed (March 2018) a case in civil court for restriction on sale and transfer of

property of the owner of the rice mill. Attachment of property through court was pending and no recovery could be made from the miller till March 2021.

Audit observed as follows:

- CMP provided that the pace of milling would be monitored by the agencies²⁰ and in case the paddy stored in any rice mill was not being milled as per schedule, then the agency had the right to get the paddy shifted to any other rice mill at the risk and cost of the original allottee. The miller milled 55 *per cent* paddy upto 15 February 2018 against the targeted quantity of 66 *per cent*. But the district office did not shift the paddy to a miller who had completed 100 *per cent* milling of allotted paddy upto 15 February 2018.
- As per CMP, due Physical Verification (PV) of the paddy stocks were conducted on fortnightly basis upto 15 February 2018 but PV did not report shortages. However, during the PV conducted by District Manager on 28 February 2018, a shortage of 2,645.28 MT paddy was noticed. The shortage of such a huge quantity of stock in a short span of two weeks' time indicates that either PVs were not conducted properly earlier or after that adequate watch over the movement of stock was not kept. It is pertinent to mention here that in a note put up to AGM (procurement), it was reported that shortages were already prevailing in the mill premises, which were not brought on record in the PVs being conducted.
- As per instructions (October 2017) of the Company, the District Manager shall conduct PV of the stocks of 50 *per cent* of the allotted mills in the first fortnight and of the remaining 50 *per cent* in the second fortnight. It was mandatory to conduct PV of mills which were lagging behind the milling schedule prescribed in the CMP. The pace of milling was not as per schedule and the miller milled 55 *per cent* paddy upto 15 February 2018 against the target of 66 *per cent*. As such, District Manager was required to conduct fortnightly PVs. Contrary to instructions, the District Manager conducted PV only on 27 December 2017 and 30 January 2018 and no PV was conducted by the District Manager during February 2018.
- As per CMP, paddy was to be issued to the miller against the advance rice in lots of 200 MT each through a release order. The shortage of such huge quantity of 2,645.28 MT paddy within two weeks from

²⁰ The food procuring agencies include Punjab Agro Foodgrains Corporation Limited; Punjab State Civil Supplies Corporation Limited; Punjab State Warehousing Corporation; Punjab State Grains Procurement Corporation Limited and Punjab State Cooperative Supply Marketing Federation Limited (a cooperative and not under audit purview of the CAG) Markfed.

15 February 2018 indicates that this provision of the CMP was also not adhered to by the Company and the miller moved/transferred the paddy.

- Considering the value of paddy of ₹ 15.21 crore given to the miller, the prescribed security deposit of ₹ 5 lakh as per CMP was grossly inadequate to cover the loss.
- CMP also provided for receipt of a guarantee in the form of two signed undated cheques from the miller. First cheque of 50 *per cent* of the value of total paddy to be stored had to be given by the miller before the storage of paddy and second cheque of remaining 50 *per cent* value was to be given after the completion of storage of paddy. These cheques were required to be given by miller by 4 December 2017 alongwith the receipt of the quantity of paddy accepted for milling. However, the cheques given by miller were presented on 20 March 2018 i.e. 20 days after the shortages were observed and were dishonoured. Complaint under Section 138A of Negotiable Instruments Act, 1881 has been filed against the miller.

The Company decided (September 2019) to stop two increments of the clerk.

Thus, due to multiple violations of the CMP and inadequate monitoring over the milling operations coupled with failure of the Company to timely shift the paddy to other mills at the risk and cost of the concerned rice miller, malafide intention of district authorities cannot be ruled out which led to loss of ₹ 5.49 crore to the Company.

The Management/ Government stated (May 2021/ July 2021) that paddy could be shifted to those rice mills who have completed 100 *per cent* milling but 100 *per cent* milling in the district was not completed till 26 February 2018. The reply is not acceptable as one miller in the district had completed 100 *per cent* milling upto 15 February 2018 and paddy could have been shifted to that rice mill at the risk and cost of the miller. Management further stated that if the Company is not able to recover the financial loss through arbitration from miller, then the financial loss will be recovered from the milling incharge but the chances of recovery are remote.

The Company may ensure adherence to the terms and conditions of Government of Punjab's Customs Milling Policy so as to safeguard its financial interests. Government/ Department may also consider to more effectively monitor paddy milling operations of food procuring agencies. The Government may also like to consider raising the prescribed security deposit given by the millers.

2.9 Short recovery under One Time Settlement Policy

Non application of rates as per Kharif Marketing Season 2016-17 while finalising OTS amount and non-recovery of VAT on cost of undelivered rice resulted in short recovery of ₹1.46 crore from the millers.

Punjab Agro Foodgrains Corporation Limited (Company) procures paddy for Central Pool on behalf of Government of India (GOI); stores it with rice millers allotted by the Department of Food, Civil Supplies and Consumer Affairs (DFSC), Government of Punjab; gets it milled from the millers and delivers resultant rice to Food Corporation of India (FCI) as per the Custom Milling Policy (CMP) of the State Government.

DFSC notified (7 September 2017) One Time Settlement (OTS) Policy for millers who had arbitration/ court cases pending against them and had been declared defaulters for non-delivery of custom milled rice to Food Corporation of India and for not clearing other recoverables²¹. The scheme was framed with the aim to mobilise resources for the state exchequer as well as to settle cases against defaulter/ sick/ closed units to increase the pace of milling.

Under this policy, the defaulter miller was given the opportunity to deposit cash equivalent of undelivered rice of the relevant period on present Custom Milled Rice (CMR) rates. Recoverables on account of other components was principal amount plus simple interest at the rate of 10 *per cent* where interest amount was not to exceed the recoverable principal amount. The applications under this scheme were to be received by 6 March 2018. GOP slightly amended (23 September 2017) the OTS policy and decided that undelivered rice was to be valued as per rates of Kharif Marketing Season (KMS) 2016-17. The provisional rates of CMR for the KMS 2016-17 were revised (January 2017) to ₹ 2,807.08 per quintal by Government of India and Value Added Tax (VAT) was payable as applicable²² at every stage.

Audit observed (November 2020) that while finalising the OTS cases²³ (**Appendix 2.1**), the concerned District Managers short recovered ₹ 0.76 crore²⁴ due to applying rates of CMR of earlier years and also did not recover ₹ 0.70 crore²⁵ on account of five *per cent* VAT applicable on the cost of undelivered rice. The Company had obtained an undertaking from each defaulter miller to pay the recoverable amount, if any, pointed out in future.

²¹ Quality cuts, gunnies, interest on account of late delivery of rice, losses due to storage of paddy etc.

²² As per Punjab VAT Act 2005, paddy is taxable @5 *per cent*.

²³ Test-checked in audit.

²⁴ Three cases.

²⁵ Ten cases.

The Management stated (May 2021) that under the OTS scheme, the amount in respect of undelivered quantity of rice has been recovered / adjusted from the said millers and only ₹ 1.76 lakh is recoverable from one miller of KMS 2012-13. Goods and Services Tax (GST) was implemented in the State abolishing VAT Act in July 2017, so it was not possible to recover the amount of VAT of ₹ 0.70 crore, in the month of October 2017.

The reply is not acceptable as undelivered rice was to be valued as per rates of KMS 2016-17, whereas, the Company calculated the recoverable amount under OTS on the balance quantity (total quantity of undelivered rice less quantity for which amount was already deposited by miller on older CMR rates). Further, non-recovery of VAT due to introduction of GST is also not justified as the Company was required to recover VAT actually paid it on paddy from these millers.

Thus, the non-application of CMR rates of KMS 2016-17 while finalising OTS amount and non-recovery of VAT on cost of undelivered rice resulted in short recovery of ₹ 1.46 crore from the millers.

The matter was referred to the Government (February 2021); their replies were awaited (July 2021).

The Company may identify similar finalised OTS cases where short recovery on account of VAT has been made and initiate action for recovery of the same.

Punjab State Warehousing Corporation

2.10 Fraudulent billing of purchase of wheat

Fraudulent billing of ₹73.74 lakh by employees in connivance with Arhtia resulted into loss of ₹64.72 lakh.

The Council of Ministers, Punjab, decided in (November 2011) to remit the payment of food grains purchased for central pool from *Arhtia*²⁶ through Rupay Debit Card from Rabi Marketing Season (RMS) 2013. Point of Sale (POS²⁷) machines were provided to the inspectors of the procuring agencies to enable the *Arhtia* to swipe the card in these machines at the time of purchase and the inspectors were required to punch the detail of purchase. After punching the detail by the Inspector, information recorded in the server was to be passed on to the approving authority i.e. the Auditor/ Accounts Officer/ District manager and payment would be made, after approval, to concerned *Arhtia* through bank payment network.

²⁶ An *arhtia* is a middle man in a market dealing with agricultural produce.

²⁷ An electronic device used to process card payments by reading information of a customer's credit or debit card.

During audit of District Manager (DM), Amritsar of the Punjab State Warehousing Corporation (Corporation) for the years 2016-18, it was noticed (September 2018) that in the above procedure, there was no mechanism to ensure that the stock had actually been received at its destination before releasing payment to the *Arhtia*. The payments were made to the *Arhtia* only on the basis of punching done by the *Mandi* Inspector. In RMS 2018, the DM (Amritsar) purchased (21 April 2018 to 29 April 2018) 8500 bags of wheat valuing ₹ 73.74 lakh²⁸, through an *Arhtia* which was verified by punching the details of purchase by the *Mandi* Inspector²⁹ of Khalra centre, Taran Taran. An amount of ₹ 60.73 lakh (for 7000 bags out of total 8500 bags) was also released to the *Arhtia* on the basis of verification by the *Mandi* Inspector. Thereafter, 4740 bags were shown as lifted from *Mandi* and stored at Rajan Bedi PEG godown. However, while reconciling (14 May 2018) the purchase and storage, it was noticed that no stocks were received at that godown. Remaining 3760 bags of wheat were also found missing along with 17 bales of gunnies issued to *Arhtia*. On inquiry, it was found to be a case of bogus purchase of wheat. DM (Amritsar) requested (17 May 2018) District Mandi Officer to cancel this purchase from his record so that *mandi* fees and rural development fee did not have to be paid to Market committee. The District Office Amritsar registered (May 2018) a First Information Report and *Mandi* Inspector was arrested by the police. The *Arhtia* was absconding. Further, gunny bales given to the *Arhtia* valuing ₹ 3.99 lakh³⁰ were also reported to have been sold by the *Arhtia* in the market.

Audit observed that the vehicle numbers shown in the gate passes, through which the said stock was shown as lifted, were either not valid vehicle numbers or these were registered as Motor Cycles/Scooters. 'Form J' (containing details of farmers from whom the wheat has been procured) was also not available in the record of the District Office. This indicates that weak internal controls coupled with lack of mechanism to ensure arrival of stock at its destination before making payment to the *Arhtia* and connivance of the *Mandi* Inspector with *Arhtia* and officials of the Market Committee made the fraudulent billing possible. The fraudulent billing of ₹ 73.74 lakh on account of bogus purchase of wheat resulted in loss of ₹ 64.72 lakh to the Corporation.

Audit further observed that no recovery has been made on this account from the *Arhtia* or the concerned Officer/Official. The concerned *Mandi* Inspector who was earlier suspended was reinstated and inquiry against him has not been finalised so far (March 2021). Thus, no responsibility has been fixed even after a lapse of more than 34 months (March 2021).

²⁸ 8500 bags of 50 Kg @ Rs.1735/- per quintal i.e. $8500 \times 0.50 \times 1735 = ₹ 7373750/-$.

²⁹ Godown Attendant deputed /designated as *Mandi* Inspector/*Mandi* Incharge.

³⁰ @ ₹ 47 per bag for 500 bags per bale ($17 \times 500 \times 47 = ₹ 3.99$ lakh).

The matter was referred to the Corporation (September 2018 and April 2021) and the Government (April 2021); their replies were awaited (July 2021).

The Corporation should strengthen its internal control systems to monitor movement of the stock in real time and ensure release of payment of purchases only after actual arrival of the stock at its destination. The Corporation should fix responsibility for this loss.

INDUSTRIES AND COMMERCE DEPARTMENT

Punjab State Industrial Development Corporation Limited

2.11 Undue favour to an industrial unit

Acceptance of the proposal of the industrial unit for settlement of its account under the OTS Policy, 2018 instead of effecting recovery of Company's legitimate dues from the unit as per the award of the Tribunal resulted in loss of ₹0.66 crore.

Punjab State Industrial Development Corporation Limited (Company) made (March 1996) equity contribution of ₹ 10.00 lakh to an industrial unit under its direct subscription scheme. As per the undertaking for buy back of shares, the Collaborator/promoter of the industrial unit was to buy back the shares held by the Company within seven years from the date of commencement of commercial production in three stages i.e. minimum one third of the equity shares were to be purchased in the fifth year and the balance in the sixth and the seventh year. The unit started commercial production in March 1998, as such, the buy back of shares was to be completed by March 2005.

In April 2003, the State Government announced One Time Settlement (OTS) Policy for industrial units who had failed to buy back the equity shares as stipulated in the Direct Subscription Agreement/Undertaking. The promoter opted for OTS which was allowed (June 2003) and ₹ 1.74 lakh were paid towards 10 per cent of the OTS amount of ₹17.37 lakh. The promoters did not make any further payments by June 2007 and the OTS was cancelled (November 2007). The Company filed (February 2009) a claim application before Debt Recovery Tribunal, Chandigarh for the recovery of its claims amounting to ₹ 1.00 crore. The unit offered (March 2009 and December 2009) to buy back the shares as per OTS 2003, which was not accepted by the Company. The Government announced another OTS policy 2009³¹ in March 2009. The unit though not eligible under this policy (being a profit making unit) requested (February 2011) for OTS but the same was not accepted by the Company.

³¹ OTS Policy 2009 announced in March 2009 was for settlement of outstanding dues from only loss making units.

In December 2018, the State Government announced OTS policy 2018³² for profit making units which was valid up to 5 March 2019. The unit despite being eligible for OTS, did not opt for it. It was only after the Tribunal awarded (April 2019) the claim of ₹ 1.00 crore in favour of the Company with further interest at the rate of 20 *per cent* per annum from 20 February, 2009 till its realisation, the unit requested (June 2019 and July 2019) for settlement of its account under OTS policy 2018. The Company did not accept the request of the unit on the grounds that the recovery in terms of the decree allowed was under execution and the matter was listed for appropriate proceedings in September 2019. The unit again approached (August 2019) to settle the buy back and the Company accepted (September 2019) the proposal after expiry of OTS policy as a special case and the account of the unit was settled (October 2019) at ₹ 0.34 crore only against the recoverable amount of ₹ 1 crore. The Government, however, subsequently extended (June 2020) the scheme up to December 2020.

Audit observed (March 2020) that the unit was earning profits and its Reserves & Surplus increased from ₹ 47.52 lakh in 2003-04 to ₹ 71.51 lakh in 2007-08 and further increased to ₹ 1.19 crore in 2017-18. Further, the unit had recorded an annual turnover of ₹ 8.22 crore and also had net current assets of ₹ 2.74 crore as on 31 March 2018. Thus, the unit was in a position to make payments to the Company as awarded by the Tribunal.

The Management stated (May 2021) that as the unit was prepared to pay upto date interest in terms of OTS policy 2018, the proposal of the unit was accepted as a special case. Further, the State Government granted (June 2020) ex-post facto approval to the OTS of the unit. The reply is not acceptable as the case had been decided. Thus, the decision for acceptance of the proposal of the profit making unit for settlement of its account under the OTS Policy, 2018 instead of effecting-recovery of its legitimate dues as per the award of the Debt Recovery Tribunal was an undue favour to the unit and caused loss of ₹ 0.66 crore³³ to the Company.

The matter was referred to the Government in April 2021; their reply was awaited (June 2021).

The Company may exercise due care to protect its financial interests while implementing OTS scheme for profit earning units. The Company may remain more vigilant to recognise those units which are financially sound but are defaulting willfully so that benefit of OTS may not be extended to them.

³² OTS Policy 2018 was for settlement of outstanding dues of profit making units.

³³ Excluding interest at the rate of 20 *per cent* per annum w.e.f 20 February 2009 on ₹ 1.00 crore as awarded by the Tribunal.

2.12 Loss on transfer of shares under One Time Settlement Policy

Incorrect deduction of dividend while arriving at OTS amount resulted in less recovery of ₹8.88 crore which was prejudicial to the financial interests of the Company.

The Punjab State Industrial Development Corporation Limited (Company) entered (March 1996) into a Financial Collaboration Agreement (FCA) with a collaborator for setting up a unit for processing of cotton yarn and manufacture of terry towel products. The Company invested ₹ 14.56 crore as its equity contribution. As per terms of FCA, upon expiry of the period of five years from the date of commencement of production, the collaborator was bound to buy back the equity shareholding of the Company in the unit. In case of failure of the collaborator to buy back the shares, the Company was entitled to sell its shareholding in the market at the risk and cost of the collaborator. FCA was re-entered in November 2001 when the unit was merged with another unit. The collaborator commenced commercial production in April 1998 and thus buy back of Company's shareholding by collaborator became due from March 2003.

The collaborator offered to buy back Company's investment in equity shares under One Time Settlement (OTS) Scheme 2003-04 announced by Government of Punjab (GoP). The OTS policy 2003-04 provided that money received including dividend, if any, before 31 March 2003 (against which shares were not transferred) would be adjusted against the principal as and when the amount was received. The Company calculated the collaborator's OTS amount at ₹ 24.78 crore. The collaborator however, deposited (August 2003 to October 2006) ₹ 2.75 crore only and thus having failed to deposit the balance amount, the OTS was cancelled (November 2007). The Company initiated (June 2010) the arbitration proceedings against the collaborator for non buy back of shares. Also, Company issued (November 2017) notice but failed to sell its shareholding³⁴ in the market at the risk and cost of the collaborator.

The GoP formulated (December 2018) a fresh OTS Policy for equity portfolio. As per this policy, OTS amount for profit making collaborated unit was to be calculated as 'Outstanding amount of investment *plus* simple interest³⁵ from the date of disbursement upto the cut-off date (on reducing balance basis as provided in the Equity OTS Policy 2003-04) *less* amount already paid plus expenses in current account (CCA)'.

Unit-III of the collaborator was a profit earning unit. The collaborator opting for OTS, offered (17 December 2018) for equity disinvestment in lump sum.

³⁴ The market value of shares held by company was ₹ 66.59 crore as on 31 March 2017.

³⁵ @11 per cent p.a.

The Company intimated (17 December 2018) the OTS amount of ₹ 33.04 crore³⁶ to the collaborator.

The Company while working out the amount of OTS, deducted ₹ 2.75 crore received from the unit towards earlier OTS of 2003-04 and ₹ 6.33 crore received as dividend during 2006 to 2018 on its investment in shares of the unit. The Company received (December 2018) ₹ 33.04 crore and sacrificed ₹ 105.62 crore³⁷ which were due as per FCA. Arbitration proceedings were withdrawn (January 2019) and the shares were transferred.

Audit observed (March 2020) that the deduction of dividend, that was received by the Company during the year 2006 to 2018 as a shareholder was not justified as there was no specific mention of deduction of dividend under OTS policy 2018 from the outstanding amounts/dues recoverable from the collaborator whereas in the earlier policy³⁸, deduction of dividend received before 31 March 2003 was specifically mentioned.

Thus, settlement of equity disinvestment at ₹ 33.04 crore under OTS 2018, after unjustified adjustment of ₹ 8.88 crore (dividend: ₹ 6.33 crore and Interest: ₹ 2.55 crore) has resulted into less recovery of ₹ 8.88 crore.

The Management stated (March 2021) that the benefit of dividend received till the cutoff date as was done under OTS policy 2003-04 was given as per the feature of the OTS policy 2018. Reply is not acceptable as the dividend which was received by the Company during the year 2006 to 2018 was in the capacity of a shareholder and there was no specific mention of deduction of dividend from the dues of the collaborator under OTS policy 2018.

The matter was referred to the Government (February 2021); their reply was awaited (July 2021).

The Company may stringently follow its standing policy so as to protect its financial interests while implementing OTS scheme for profit earning units.

³⁶ Principal: ₹ 5.48 crore plus interest: ₹ 26.62 crore plus Current Account (CCA) expenses: ₹ 0.94 crore.

³⁷ Amount due as per FCA, 1996: ₹ 138.66 crore (including interest @ 24 per cent) less amount arrived at of OTS ₹ 33.04 crore = ₹ 105.62 crore.

³⁸ OTS policy 2003-04.

**FOOD, CIVIL SUPPLIES AND CONSUMER AFFAIRS
DEPARTMENT**

Punjab State Civil Supplies Corporation Limited

2.13 Damage of wheat

Poor preservation of wheat stock as well as storage of fresh wheat with infested stock in violation of storage instructions of FCI resulted in damage of wheat and loss of ₹55.32 crore to the Company.

Punjab State Civil Supplies Corporation Limited (Company), a State Procuring Agency, procures wheat for Central Pool on behalf of Food Corporation of India (FCI) for each Rabi Marketing Season (RMS). It is the responsibility of the Company to maintain the health of stock of wheat till its delivery to FCI.

FCI conducts inspection of the condition of wheat stocks on monthly intervals and at the time of delivery of stock. If any infestation or *atta* formation etc. is found at the time of inspection, FCI intimates the discrepancies to the Company and instructs to take remedial measures accordingly. The damaged/non-issuable stocks are required to be stored in a separate area³⁹ to avoid their possibility of infecting fresh stocks. Further, Government of India (GoI) directed (July 2014) that stocks found upgradable⁴⁰, are to be upgraded within a period of three months, failing which the stock would be declared as damaged by FCI. The wheat that gets damaged in storage is disposed-off by the Company through tendering. The entire exercise of disposal of damaged foodgrains should be time bound and it shall be completed within a maximum period of six months from the date of declaration of stocks as damaged by FCI.

(A) Audit observed (December 2019) that in violation of these instructions, Faridkot District Office and Gidderbaha Centre of Sri Muksar Sahib District Office of the Company stored fresh wheat of crop year 2014-15 alongside damaged/infested wheat of previous crop years (2011-12 and 2012-13) at these storage centres and that too on open plinths. No covered space could be arranged by the Company at these two district offices at the time of purchase of wheat in 2014-15. Required measures were not taken for the scientific storage of wheat to protect it against infestation. As a result, the wheat of the crop year 2014-15 also got infected. FCI time and again took up the matter with Head Office of the Company as well as the District Offices regarding storage of wheat of crop year 2014-15 with infested wheat of previous crop

³⁹ As per instructions issued (December 2004) by FCI.

⁴⁰ Upgradable stocks are those from which after segregation of damaged grain, quality grain is retrievable.

years. However, no stock was transferred to covered storage when it was noticed that the condition of wheat was deteriorating. Eventually, FCI declared 31,706 MT⁴¹ as upgradable during February 2016 to May 2017. FCI as well as the District Managers of the Company repeatedly issued directions (August 2015 to July 2016) to concerned staff to upgrade the stock lying at these District Offices. However, due to lackadaisical approach of the concerned officers/officials, only 12,529 MTs⁴² could be upgraded. Resultantly, FCI declared (November 2016 and March 2017) 19176.56 MT of wheat valuing ₹ 44.70 crore as damaged.

Thereafter, the categorisation⁴³ of the damaged wheat stock was conducted (December 2016 to June 2017) and tenders were invited for disposal of 19,171.56 MT stock. Against the prescribed period of six months, the Company took eight to 13 months for disposal of damaged wheat which further deteriorated the damaged wheat. The Company realised ₹ 14.59 crore on sale of 14062.63 MT of damaged wheat of crop year 2014-15 against the issue price at FCI rate of ₹ 32.82 crore. The short recovery of ₹ 18.23 crore due to damage to wheat was a cost to the Company. Further, a shortage of 5108.94 MTs of wheat valuing ₹ 11.88 crore was also noticed (December 2019) after the lifting of the whole damaged wheat by purchasers. Documentary material for issuing chargesheet to the concerned officers/officials was sent by the District Offices to the Head office of the Company in August 2019 and March 2020, however, no concrete action has been taken against the concerned officers/officials even after lapse of 15 to 22 months.

(B) Audit observed (December 2019) that Company stored 1,17,948 MT wheat of crop year 2014-15 at various storage centres of Muktsar Sahib District on open plinths. No covered space could be arranged by the Company at the time of purchase of wheat in 2014-15. Also, required measures were not taken for its scientific storage, as a result of which wheat of crop year 2014-15 got infected. In February 2016, FCI pointed out highly vulnerable conditions of the plinths⁴⁴ due to poor preservation, growth of wild vegetation around the plinths, unhygienic and infested condition of stock and also pointed out (May 2016) non-fumigation of stock⁴⁵ and requested for remedial measures on the discrepancies pointed out by it and ensure improvement in the condition of the plinths. Despite repeated requests by FCI (January 2016 to August 2016) to the Head office/District Offices of the Company to take

⁴¹ 18,460 MT of Faridkot District and 13,246 MTs of Gidderbaha Centre.

⁴² 979 MTs of Faridkot District and 11550 MTs of Gidderbaha Centre.

⁴³ A process where depending upon the percentage of sound grain, grade/ end use of damaged food grain is determined.

⁴⁴ Muktsar-1, Muktsar-2, Muktsar-3 and Malout-1.

⁴⁵ Jamit Open Plinth where 9626 MTs wheat got damaged later on.

remedial measures, it was observed that the Company failed to ensure compliance of the FCI instructions timely. Eventually, FCI declared 24,583 MTs as upgradable during February 2016 to March 2017. FCI as well as the District Managers of the Company repeatedly issued directions (January 2016 to February 2017) to the concerned staff to upgrade the stock. However, due to the callous and lackadaisical approach of the concerned officers/officials, only 10,367 MTs could be upgraded. Resultantly, 14,216 MTs wheat of crop year 2014-15 was declared damaged (November 2016 and March 2017) and tenders were invited (October 2017 and March 2018) for disposal of this damaged wheat.

Against the prescribed period of six months for disposal of damaged wheat, the Company took three to 20 months. The damaged wheat deteriorated further. Out of 14,215.80 MTs wheat offered for disposal, shortage of 4,294.19 MTs wheat valuing ₹ 10.73 crore was noticed (December 2019) at the disposal by the purchaser parties. Company realised ₹ 10.32 crore on disposal of balance 9,921.61 MT damaged wheat valuing ₹ 24.80 crore resulting in short realisation of ₹ 14.48 crore.

Audit further observed that material for issuing chargesheets to the concerned officers/officials was sent by the District Office to the Head office of the Company up to August 2019. However, no concrete action has been taken against the concerned officers/officials even after a lapse of more than 20 months.

The Management stated (June 2021) that wheat stock of 2014-15 were declared non issuable due to longer storage of wheat stock. Reply is not acceptable as FCI was ready to lift stock of the crop year 2014-15 but due to non taking of timely remedial measures as suggested by FCI, the stocks got deteriorated further and due to shortages and disposal of damaged wheat (through tenders at rates less than FCI rates), the Company suffered a loss of ₹ 25.21 crore.

Thus, poor preservation of wheat and delay in taking remedial measures as well as storage of fresh wheat alongside damaged/infested stock, in contravention of extant storage guidelines/ instructions and non-upgrading of the stock resulted into damage of wheat and loss of ₹ 55.32 crore.

The matter was referred to the Government (April 2021); their reply was awaited (July 2021).

The Company may strictly adhere to the guidelines issued by FCI/GoI for safe storage of wheat stock and ensure compliance of remedial measures for up-gradation of infested stock to safeguard its financial interest.

Chapter-III

Social, General and Economic Sectors (Departments)

Chapter-III

Social, General and Economic Sectors (Departments)

PUBLIC WORKS DEPARTMENT (BUILDINGS AND ROADS)

3.1 Avoidable payment

The Department's failure to prepare realistic project estimate, to provide clear site and technical sanction led to changes in scope of work, delay in completion and avoidable compensation payment of ₹ 5.78 crore.

Paragraph 6.11 of Public Works Department (Building and Roads) (PWD) Manual of Orders provides for careful preliminary investigation prior to the framing of a Project to ensure that the estimate is made as complete as possible. Further, Paragraph 2.4 read with Paragraph 2.89 of Punjab Public Works Department Code (Code) provide that a detailed estimate must be prepared and technically sanctioned prior to start of work. Paragraph 2.92 of the code provides that no work should be commenced on land which has not been duly made over by the responsible civil officers. As per provisions¹ of agreements executed on the basis of Standard Bidding Documents of Punjab Public Works Department, the Department has to hand over encumbrance free site to the contractors to enable them to execute the work and any delay could be treated as a compensation event. In case of occurrence of compensation events, agreements provide for enhancement in contract price and/or time extension.

Audit noticed two instances where the Department failed to adhere to the provisions *ibid*. This resulted in payment of compensation along with interest of ₹ 5.78 crore to the contractors as discussed below:

(a) Audit observed (July 2019) that the Executive Engineer, Central Works Division, PWD (B&R), Amritsar at Ferozepur had allotted the work of "Rehabilitation of Zira-Ferozepur Road²" (March 2007) to a contractor at contract price of ₹ 44.14 crore. The work order was issued in June 2007. The period for completion of work was 18 months i.e. upto December 2008.

The work could not be completed within the stipulated period due to failure of the Department in preparation of a realistic/complete project estimate and various changes³ were made, reducing the scope of allotted work. Due to these changes, the contract price was reduced to ₹ 34.12 crore and time extension was granted up to 10 May 2009 without levying any Liquidity Damages (LD)

¹ Clause 21.1 and 44 of the agreement.

² Approved under World Bank Aided project package no. PSRSP/WB/RH/1/NCB.

³ Change in finished road level, cross section, scope of widening of road that created additional works, change rigid pavement into bituminous flexible pavement.

as the delay was attributable to the Department. The work was completed within extended period (May 2009) of completion.

Aggrieved by the reduction in scope of allotted work and prolongation of contract period, the contractor claimed (April 2010) a compensation of ₹ 12.75 crore from Adjudicator⁴ which was rejected (July 2010). Thereafter, the contractor raised (May 2011) four claims of ₹ 13.53 crore⁵ with the Arbitration Tribunal (AT) alongwith pre-reference and pendente-lite interest⁶ on the claims. After considering all the aspects of the case, the AT awarded (February 2014) three claims of ₹ 2.70 crore⁷ in favour of the agency and also allowed interest at the rate of eight *per cent* per annum upto 6 February 2014.

Audit further noticed that the department filed (May 2014) an appeal in the District Court, Ferozpur without taking cognizance of the orders of the AT which were given in the light of conditions of agreement binding on both the parties. The appeal was disposed of (January 2016) on the grounds that an appeal had already been filed (March 2014) in District Court, Chandigarh by the contractor for enhancement of award announced by the AT. The appeal filed by the contractor was also dismissed (February 2017) and the Court denied to set aside or modify the award of AT. After rejection of appeal for enhancement of claim amount, the contractor filed execution petition (No. 1628 of 2017) in the District Court, Chandigarh for implementation of award given by the AT along with interest till date. The Department paid (October 2018 and February 2019) ₹ 4.39 crore⁸ to the contractor in compliance to execution petition.

The Department did not furnish (May 2020) any reasons for non-adhering to the provisions of PWD Manual and code for careful preliminary investigation prior to framing of project and also start of work without obtaining technical sanction. However, Government stated (June 2020) that payment of compensation and interest had been made as per award of the AT. The reply of the Department was not acceptable because the compensation was paid to the

⁴ An adjudicator is the person appointed under the contract to resolve disputes in the first instance.

⁵ (i) Loss of Profit and uncompensated overheads due to prolongation of work and reduction in original contract price: ₹ 4.33 crore; (ii) Loss of hire charges of Plant and equipment: ₹ 3.33 crore; (iii) Loss due to idling and under utilisation of plant and equipment: ₹ 5.33 crore; (iv) Cost of laboratory equipment and release of withheld amount: ₹ 0.54 crore.

⁶ The interest that accrues to the base amount while the pendency of the suit during the Arbitration proceeding.

⁷ (₹ in lakh)

1	Compensation for loss of profit and overhead	52.41
2	Compensation for loss on account of Plant and equipment during extended period	163.17
3	Claim for cost of laboratory equipment	53.97
Total		269.55

⁸ (₹ in crore)

Compensation amount due to revision in scope of work after allotment	2.70
Interest on compensation up to December 2018	1.69
Total	4.39

contractor due to failure of the Department as the changes in scope of work was made after allotment of the work. Had the detailed design/estimate been prepared and technically sanctioned prior to allotment of work, payment of compensation could have been avoided.

(b) Audit observed (September 2019) that the Executive Engineer, Construction Division, PWD (B&R), Malerkotla (EE) allotted (August 2006) the work “Construction of Railway Over Bridge on level crossing No. A-52 and A-63, Ludhiana-Jakhal and Patiala-Dhuri-Bathinda Railway Station” to a contractor at contract price of ₹ 26.77 crore. The work was due to be completed within 18 months. The work could not be completed within stipulated period as the Department failed to provide hindrance free site⁹. Consequently, the contractor was granted time extension up to 30 September 2008 without levy of LD as the reasons for delay was attributed to the Department. The work was completed (September 2008) and a completion certificate was issued (November 2008) by the Department.

Due to prolongation of the contract, contractor represented (October 2009) to the EE and Chief Engineer to appoint Dispute Review Expert (DRE) to decide enhancement in contract price and to take decision accordingly. The Department neither decided the issue nor appointed DRE. The Department rejected (March 2010), the claim of contractor for compensation of ₹ 15.01 crore. Thereafter, the contractor raised claim (November 2011) of ₹ 9.42 crore¹⁰ with Arbitration Tribunal (AT). The AT decided (February 2015) the case in favour of the contractor and awarded a lump sum compensation of ₹ 0.80 crore which was to be paid on or before 30th June 2015, failing which interest at the rate of 18 *per cent*¹¹ was also to be paid from the date of award till the date of payment.

The Department challenged (May 2015) the order of AT in the District Court, Sangrur which was dismissed (March 2018). Though the legal authorities¹² of the State opined that the case was not fit for filing further appeal, the Department preferred appeals in Hon’ble Punjab and Haryana High Court and Hon’ble Supreme Court of India. The appeals were dismissed

⁹ (A) Shifting of electric lines, poles and transformers for which PWD deposited estimated cost amount with Electricity department in August 2006.

(B) Shifting of sewer line for which amount was deposited with Punjab State Sewerage Board in February 2008.

(C) Shifting of cables was taken up with BSNL in September 2006.

(D) Delay in land acquisition.

(E) Delay in construction of Railway Common piers.

¹⁰ (i) Increase in material cost: ₹ 1.36 crore; (ii) Mobilisation and additional mobilisation: ₹ 0.54 crore; (iii) Increase over heads: ₹ 2.70 crore; (iv) Compensation to cater for under productive use of labour, plant, POL, etc. ₹ 0.47 crore; (v) Compensation to cater for extension in defect liability period: ₹ 1.68 crore; (vi) Payment for loss of chance to earn bonus: ₹ 0.80 crore; and (vii) Delay in release of retention money and securities: ₹ 1.87 crore.

¹¹ Under Section 31(7)(b) of the Arbitration and Conciliation Act, 1996.

¹² Director Prosecution and Litigation, Punjab and Sr. Deputy Advocate General, Punjab.

in October 2018 and May 2019 respectively. In the meanwhile, the contractor filed execution petition in the Commercial Court Sangrur for implementation of the award of the AT. Consequent upon the execution proceedings, the Department paid (March 2019) compensation of ₹ 0.80 crore along with interest¹³ (July 2019) of ₹ 0.59 crore.

The Department stated (September 2019) that payment had been made as per award pronounced by the AT. Reply was not acceptable as Department failed to provide hindrances free site to the contractor and also paid interest of ₹ 0.59 crore due to delay in payment of compensation awarded by AT. The delay was due to department's preferential appeal in Hon'ble Courts ignoring the opinion of legal authorities of the State.

Thus, failure of the Department in preparation of realistic project estimate, commencement of work without technical sanction which led to changes in scope of work after its allotment and failure in providing hindrance free site resulted in prolongation of contract and delayed completion of work coupled with avoidable payment of compensation and interest of ₹ 5.78 crore.

The issue was referred to the Government (January 2020); reply was awaited (July 2021).

Recommendation: The Department must ensure realistic formation of project estimate and all sanctions prior to start of work and provide hindrance free site so that litigation/arbitration and consequent charges on the State can be avoided.

3.2 Unfruitful expenditure

The Ministry of Environment, Forests and Climate Change did not accord final approval of the forest clearance due to failure of the Department to comply with the condition of in-principle approval of another work resulting in unfruitful expenditure of ₹4.24 crore on incomplete work.

Para 2.92 of Punjab Public Works Department (PWD) code provides that no work should be commenced on land which has not been duly made over by the responsible Civil officer. Further, Section 2 of Forest Conservation Act 1980 (The Act) stipulates that no forest land or any portion thereof may be used for any non-forest purpose except with the prior approval of the Central Government. Under the para 4.2 (i) of The Act, Ministry of Environment, Forests and Climate Change (MoEF&CC) accords prior approval on proposals of diversion of forest land for any non-forest purpose of the State Government in two stages: In-principle or Stage-I approval followed by formal approval on compliance to the conditions of the In-principle approval.

¹³ Interest for the period 7 February 2015 to 13 March 2019 (1,496 days).

The Executive Engineer (EE), Public Works Department (PWD) (B&R), Roopnagar allotted (July 2016) the work of construction of four bridges¹⁴ to a contractor for ₹ 6.27 crore and submitted the case for getting forest clearance (July 2016). The work was due to be completed by January 2017. The technical sanction for detailed estimate of the work accorded in September 2016 i.e. after allotment of the work, had provision of ₹ 24.66 lakh¹⁵ for diversion of forest land for all the four bridges.

Audit observed (August 2020) that while the work was in progress, the contractor intimated (October 2016) to the EE that forest clearance was required as trees belonging to Forest Department were falling in the alignment of site and approaches of all the bridges. The Department granted time extension from time to time to the contractor upto June 2018. Meanwhile, MoEF&CC accorded (March 2018) In-principle approval (Stage I approval) for de-forestation of forest land with the condition that the user agency (Department) shall ensure that no other proposal in the division, for which Stage-I approval has already been granted, was still pending for want of compliance with conditions of Stage-I approval and asked the State Government to deposit the requisite fee. Accordingly, the EE deposited (October 2018) ₹ 18.61 lakh¹⁶ with Forest Department. It was observed that MoEF&CC did not accord the final clearance of this work because the Division had not fulfilled the condition of transfer of 3.62 hectare land to Forest Department as per condition of Stage-I approval granted (April 2015) for another work¹⁷.

Aggrieved by the delay in obtaining the forest clearance, the contractor requested (May and July 2019) the EE to terminate the agreement on the plea that he had already suffered huge losses due to idle men and machinery and that he could not wait for forest clearance for an indefinite period. Accordingly, the Chief Engineer ordered (October 2019) to terminate the agreement. The EE paid (December 2019) ₹ 4.05 crore to the contractor for construction of three out of four bridges which were lying incomplete with 67 per cent physical progress and could not be put to use due to non-construction of approaches.

The EE admitted (August 2020) that the work was held up due to non-clearance of site by Forest Department despite making payments.

¹⁴ Construction of three High Level (H/L) bridges on Ropar Head works to Lodhimajra-Daburji via GunnoMajra Link road and one H/L bridge over Patilian Choe X-ing Lodhimajra gate to Daburji via Patilian Mainichak Dherian road including approaches.

¹⁵ It was included on the basis of letter No. 5281 dated 21.10.2015 of Forest Department.

¹⁶ Net Present Value: ₹ 6.31 lakh, Compensatory Afforestation: ₹ 9.59 lakh and Additional Compensatory Afforestation: ₹ 2.71 lakh.

¹⁷ Construction of link road from village Bhangala to Village Mansali.

Thus, the MoEF&CC did not accord final approval of the forest clearance due to failure of the Department to comply with the condition of In-principal approval of another work which resulted in unfruitful expenditure of ₹ 4.24 crore¹⁸ on incomplete work.

The matter was referred (April 2021) to the Government; reply was awaited (July 2021).

Recommendation: The Department should ensure availability of encumbrance free site of a project, besides taking appropriate action to adhere to the norms under Forest Conservation Act, 1980 for timely completion of the project.

3.3 Avoidable extra expenditure

Laying of Dense Grade Bituminous Macadam on diversion roads on the basis of incorrect traffic data given by the contractor in contravention of Indian Roads Congress specification resulted in extra expenditure of ₹2.88 crore.

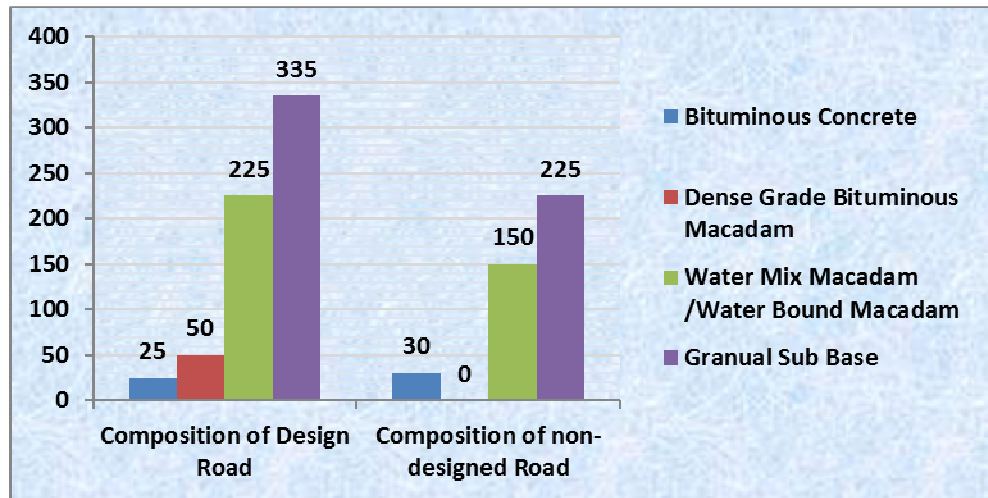
Para 4.3.2 of Indian Roads Congress¹⁹ (IRC)-37 (2012) provides that pavement of National Highways and State Highways should be designed for a minimum life period of 15 years and life of other categories of roads should be 10 to 15 years. Further, para 10 of IRC-37 provides that different composition of traffic and material properties should be considered for designed and non-designed road²⁰ construction as depicted in chart below:

¹⁸ ₹ 4.05 crore paid to the contractor and ₹ 0.19 crore paid to Forest Department.

¹⁹ The Indian Roads Congress (IRC) is the Apex Body of Highway Engineers in the country. The IRC was set up in December, 1934 on the recommendations of the Indian Road Development Committee best known as Jayakar Committee set up by the Govt. of India with the objective of Road Development in India.

²⁰ **Designed road:** The road where thickness of road pavement is decided on the basis of traffic in terms of cumulative number of standard axle alongwith soil strength and this road is constructed for a long period.

Non designed road: These are normally rural roads where traffic volume is very low and thickness of road pavement is adopted with minimum requirement.

Chart 1-Showing the pavement composition of road construction

As per para 10 of IRC-37, Dense Grade Bituminous Macadam (DGBM) should be used for designed roads. Further, para 4.1.2 of IRC-37 provides that for the purpose of structural design, only the number of commercial vehicles of weight of three tonnes or more and their axle loading is to be considered.

Detailed Notice Inviting Tender for the work of construction of flyover on Malerkotla-Ludhiana Road at Jarg Chowk, District Sangrur was approved (December 2017) for ₹ 26.80 crore without technical sanction of the estimate from competent authority. The work was allotted (March 2018) to a contractor at a cost of ₹ 26.64 crore for completion within 18 months. The work was started in April 2018. With a view to facilitate public movement during construction period, the work had provision of two diversion roads²¹ of 13.60 kms at a cost of ₹ 5.58 crore. These were existing link roads and the scope of work included crust thickness of 150 mm-Granular Sub Base (GSB), 150 mm-Water Bound Macadam (WBM) for widening portion and 75 mm WBM and 30 mm-Bituminous Concrete (BC) on the already existing portion of the link roads. No separate time schedule was mentioned in the agreement for construction of diversion roads. However, as per Section 5-D of the agreement with the contractor, the diversion roads were to be constructed before start of construction of the flyover.

Test check of records (September 2019) of the Executive Engineer, PWD (B&R), Malerkotla (EE) revealed that the work of construction of diversion roads was not completed by the contractor before the start of construction of the flyover which resulted in long traffic jams at Jarg Chowk causing a lot of inconvenience to the public. The contractor submitted (September 2018) a

²¹ (i) Malerkotla Ludhiana to Saroud road to Madlala to village Ranawan connect with Malerkotla Khanna Km 0+00 to 6+00 i.e. 6.00 Kilometres and (ii) Malerkotla Khanna road Village Ranawan to Village Hathoa to village Haidernager to Malerkotla Nabha Road Km 0+00 to 7+60.00 Kilometres.

proposal to lay an additional layer of 50 mm DGBM grade-II with tack coat citing the reasons that 5,485 vehicles²² per day would ply on the diversion road. The design calculation of this traffic data was neither the part of the estimate nor the part of scope of work allotted to contractor in March 2018. The Chief Engineer approved (October 2018) this proposal costing ₹ 2.93 crore without evaluating the design requirement of the road as specified in IRC-37. The Department also did not consider the fact that the road was to be used only for 18 months i.e. construction period of fly over, out of which six months had already elapsed. This time period was too short for approving the higher specification used for designed roads only as per IRC-37. As the diversion roads were not completed, the Sub Divisional Magistrate (SDM) held (January–February 2019) several meetings with the EE for early completion thereof. The SDM again raised (July 2019) the issue with the Superintending Engineer (SE) and requested for early completion of the diversion roads.

It was further observed that 5,485 vehicles²³ per day mentioned by the contractor included cars/jeeps/autos whereas as per IRC-37, traffic in terms of only commercial vehicles per day (having weight of three tonnes or more) were to be taken into account. Excluding the ineligible vehicles (car/jeeps and autos), the number of vehicles per day worked out to 1541 vehicles²⁴ only. As of May 2021, 99 *per cent* work (both flyover and diversion roads) was completed and ₹ 28.01 crore were paid (May 2021) to the contractor which included ₹ 4.42 crore (against estimated provision of ₹ 5.58 crore) for the diversion roads and ₹ 2.88 crore for additional layer of DGBM which was not required as per *ibid* provision leading to avoidable expenditure of ₹ 2.88 crore.

The Executing Engineer stated (September 2019) that necessary approval had been obtained. The reply was not acceptable because the approval to lay DGBM was accorded without evaluating the strengthening requirements of the roads and considering the data of vehicles cited by the contractor which was overstated to the extent of 250 *per cent*.

The matter was referred (June 2021) to the Government, reply was awaited (July 2021).

Recommendation: The Department should ensure compliance to prescribed technical specifications while framing estimate/execution of work to avoid extra expenditure and burden on State exchequer.

²² Data taken from the Toll Plaza.

²³ Total vehicle for 15 days $164543/15=10970/2=5485$ vehicles per day.

²⁴ Vehicles to be considered (Mini bus, Bus, 2XL, 3 XL, 4 XL, 5 XL, OSV and Tractors) for road design $-46227/15=3081.80/2=1540.9$ say 1541 vehicles.

SOCIAL SECURITY AND WOMEN AND CHILD DEVELOPMENT DEPARTMENT

3.4 Failure to establish Children Homes and Observation Homes

Due to the State Government's failure to provide suitable land, Children Homes and Observation Homes could not be established in the State even six years after release of Central assistance by the Government of India.

As per Section 47(1) of Juvenile Justice (Care and Protection of Children) Act, 2015 (Act), the State Government shall establish and maintain in every district or a group of districts, either by itself or through voluntary or non-governmental organisations, Observation Homes for temporary reception, care and rehabilitation of any child alleged to be in conflict with law, during the pendency of any inquiry under this Act. Similarly, as per Section 50(1) of the Act, the State Government may establish and maintain, in every district or group of districts, either by itself or through voluntary or non-governmental organisations, Children Homes, which shall be registered as such, for the placement of children in need of care and protection for their care, treatment, education, training, development and rehabilitation.

There were six Children Homes and four Observation Homes in the State²⁵. The Government of India (GoI) approved (October 2014) a proposal (May 2014) of the Government of Punjab (GoP) for construction/establishment of additional²⁶ five Children Homes and two Observation Homes in different districts of the State. The cost of ₹ 24.87 crore was to be borne by the Centre and the State in the ratio of 75:25 (Centre: ₹ 18.65 crore and State: ₹ 6.22 crore). GoI released (October 2014) the first instalment i.e. 25 per cent of grants-in-aid (GIA) of Central share amounting to ₹ 4.66 crore under the 'Integrated Child Protection Scheme' (Scheme), on confirmation by GoP regarding identification/availability of land for the purpose. Against this, the GoP was to provide its 25 per cent share i.e. ₹ 1.55 crore under the Scheme.

Test-check of records in the office of the Director, Department of Social Security and Women and Child Development (Department) revealed (February 2018) that at the time of approving the proposal and releasing the GIA by GoI (October 2014), suitable land was not actually available with the Department for construction of Children Homes and Observation Homes in any of the seven districts. The matter for allotment of land for the purpose

²⁵ **Six Children Homes:** (i) Jalandhar: 100+50 girls (22 districts); (ii) Bathinda: 50 boys (07 districts); (iii) Dusarna: 50 boys (03 districts); (iv) Rajpura: 50 boys (04 districts); (v) Gurdaspur: 50 boys (03 districts); and (vi) Hoshiarpur: 100 boys (05 districts). **Four Observation Homes:** (i) Jalandhar: 25 girls (22 districts); (ii) Hoshiarpur: 50 boys (07 districts); (iii) Faridkot: 50 boys (08 districts); and (iv) Ludhiana: 100 boys (07 districts).

²⁶ **Children Homes:** (i) Fazilka (for boys); (ii) Ludhiana (for boys); (iii) Mansa (for boys); (iv) SBS Nagar (for boys); and (v) Sangrur (for girls). **Observation Homes:** (i) Amritsar (for girls); and (ii) Patiala (for boys).

was taken up with the respective Deputy Commissioners (DC) in November 2015, more than one year after release of funds by GoI. The GoP released (December 2015) Central share of ₹ 4.66 crore, which was withdrawn by the Department in June 2016 and kept in Savings Bank Account²⁷ in contravention of the Punjab Financial Rules (Volume-I)²⁸. However, the State share of ₹ 1.55 crore was not released in spite of sanction issued by GoP in February 2017. In the meantime, though the DC Fazilka identified (April 2016) one acre of land in Village Chawanrian Wali, district Fazilka for construction of Children Home, the matter for allotment of land remained under consideration with the State Government. Thus, due to non-availability of land, the work of construction of Children Homes and Observation Homes could not be initiated and the amount of ₹ 4.66 crore was deposited back (October 2017) in the Government treasury.

The State Government stated (April 2019) that all out efforts were made to fulfill the goal under the Act, but due to non-availability of suitable land, the project could not take off. The Government further intimated (July 2021) that land in districts Fazilka, Sangrur and SBS Nagar had been identified for the purpose and further course of action²⁹ was being undertaken. The matter for identification of land in other districts was under process. The reply of the Government was not acceptable as firstly, the Department got the proposal approved and GIA released from GoI on the false statement that the land for the purpose was available with GoP; and then even after more than six years from release of funds by GoI, the State Government could not construct or identify suitable land for construction of Children Homes and Observation Homes in the identified districts.

Audit noticed that one Children Home (Girls) at Jalandhar having capacity of 150 girls catering to the entire State and one of the Observation Homes (Boys) having capacity of 50 boys at Hoshiarpur catering to seven districts³⁰ were overcrowded during the period 2015-2020. Further, since the existing Children/Observation Homes were catering to 3-22 districts in the State, the children/inmates had to travel from far off places to the existing homes for care and rehabilitation. Moreover, in accordance with the provisions *ibid*, the State was required to establish and maintain Observation Homes and Children Homes in every district or group of districts.

²⁷ Housing Development Finance Corporation (HDFC) Savings Bank Account No. 02131450000310.

²⁸ In terms of Rule 2.10(b)(4&5) of Punjab Financial Rules (Volume-I), money actually paid is under no circumstances kept out of account a day longer than is absolute necessary. No money should be withdrawn from the treasury unless it is required for immediate disbursement or has already been paid out of the permanent advance. It is not permissible to draw advances from the treasury for the execution of works the completion of which is likely to take a considerable time.

²⁹ **Fazilka:** File was under action by the Administrative Branch for seeking approval of the Finance Department; **Sangrur:** File was under action for administrative approval; and **SBS Nagar:** Construction drawings and cost estimates were under preparation.

³⁰ (i) Gurdaspur; (ii) Hoshiarpur; (iii) Kapurthala; (iv) Pathankot; (v) Rupnagar; (vi) SAS Nagar; and (vii) SBS Nagar.

Thus, due to laxity on the part of the State Government, vulnerable children were denied access to care and rehabilitation.

Recommendation: The State Government may allot suitable land and provide adequate funds for establishment of requisite number of Children Homes and Observation Homes in the State.

SOIL AND WATER CONSERVATION, AND WATER RESOURCES DEPARTMENTS

3.5 Unfruitful expenditure and avoidable loss

Failure of the Departments to obtain consent of land owners prior to start of project and to ensure availability of sufficient water prior to approval of outlet resulted in blockade of ₹ 5.33 crore and loss of ₹ 1.25 crore.

Paragraph 2.92 of the Punjab Public Works Department (PWD) Code (Code) provides that no work should be commenced on land which has not been duly made over by the responsible civil officer. Clause B(9) of Works manual of Department of Soil and Water Conservation (Department) provides that underground pipeline projects from canal outlets should be prepared on the basis of chak plans³¹ prepared by the Department of Water Resources (DWR). Further, as per condition of tender documents, the Divisional Soil Conservation Officer (DSCO) shall obtain all permissions, clearances etc prior to handing over work order or possession of site to the contractor. Paragraph 4.7 of the Code read with Clause 11 of said works manual of Department provide that every measurement must be recorded in Measurement Book (MB) and also entered in Material at Site (MAS) register of work.

Audit observed (December 2019) that Chief Conservator of Soils, Punjab technically sanctioned (October 2016) a project of laying Underground Pipeline (UGPL) on outlet³² located on Ullak Minor³³ (Reduced Distance (RD) 50/L) for ₹ 6.58 crore³⁴ under Rashtriya Krishi Vikas Yojna. The UGPL was to pass through the land of Chuharia, Jaurkian and Jagatgarh Banda villages. The main objective of the project was to provide irrigation facility to 699 hectare land of 273 farmers³⁵ of two villages³⁶ and to reduce the water losses as well as labour cost of irrigation. As per approved estimate, 5.44 cusec water was required from the outlet for operation of the UGPL project.

³¹ The plans in which maximum irrigated area, length of field channel and numbers of farmers to be served are shown.

³² A point from where water is drawn for irrigation.

³³ A small canal takes off from Bhakra Main Line Canal.

³⁴ ₹ 5.91 crore: Government share and ₹ 0.67 crore: beneficiaries share.

³⁵ Small farmers (90), Marginal (86) and Others (97).

³⁶ Nangla and Jaurkian.

The Superintending Engineer, DWR (SE) approved (August 2014) the outlet on the recommendation of the Executive Engineer (EE), DWR, Mansa.

Scrutiny of records in the office of the DSCO, Bathinda (December 2019) revealed that the DSCO allotted (November 2016) the work to a contractor for ₹ 6.58 crore without ensuring site availability and consent from the land owners. The work was due to be completed by March 2017. The DSCO received ₹ 6.58 crore during September to November 2016 for this project. The contractor submitted (December 2016) a bill of ₹ 6.53 crore for supply of pipes and requested for advance payment under clause 11³⁷ of the tender document. Accordingly, the DSCO released an advance of ₹ five crore³⁸ which exceeded the admissible limit of ₹ 3.94 crore (60 per cent of ₹ 6.58 crore i.e. estimated cost) as per terms of contract. Further, it was observed that the advance payment was released to the contractor without making any record entry in the MB and MAS register and the material was lying at seven different sites of four villages³⁹.



Pipes lying in Nangla village



Pipes lying in Chuharia village

While the work was in progress residents of other villages⁴⁰ raised objections and the contractor had to stop the work (November 2017). Meanwhile, three court cases were filed by the land owners of village Chuharia against the Department during 2017 and 2018 for unauthorisedly using their land for UGPL without their consent and one court case was filed by beneficiary village⁴¹ in 2018 for non-execution of work. Another case against approval of outlet was filed with the SE in 2017 by the Gram Panchayat Chuharia against which the SE passed order (November 2017) for *status quo*. The SE re-evaluated the case in detail and stated that the approval of outlet given in August 2014 was not in order and issued instructions (February 2020) to the EE, Mansa Division for technical evaluation of the case. The fresh approval of the outlet at RD 50/L of Ullak Minor was still pending (February 2021) with the DWR. The DWR clarified (February 2021) that discharge carrying capacity of the already procured underground pipes by the

³⁷ The contractor was entitled for advance payment on the submission of bill/bills subject to the maximum of 60 per cent of estimated cost of project, against material supplied.

³⁸ ₹ four crore :December 2016 and ₹ one crore : March 2017.

³⁹ (i) Jagatgarh Bandra; (ii) Chuharia; (iii) Jaurkian; and (iv) Nangla.

⁴⁰ Chuharia, Jaurkian and Jagatgarh Bandra.

⁴¹ Nangla.

Department was 4.99 cusec water but only 3.35 cusec water could be withdrawn from the head of Ullak minor from this outlet and for balance water, NOC from Haryana Government was required as the Bhakra Main Line was an interstate channel. The Department also stated (February 2021) that the pipes with 500 mm diameter could be used only for discharge capacity of 4.99 cusec water and their utilisation against discharge of 3.35 cusec water was not feasible. Thus, the Department did not ensure the facts i.e. consent of land owners and availability of water prior to accord of technical sanction.

The Department admitted and stated (April 2021) that the concerned DSCO had been penalised for providing inadmissible advance to the contractor and the work was still incomplete due to objections raised by the villagers and non-approval of outlet by the Department of Water Resources.

Thus, failure of the Departments⁴² to obtain consent of land owners prior to start of the project and to ensure availability of sufficient water in the Minor resulted in blockade of ₹ 5.33 crore and loss of ₹ 1.25 crore (Total: ₹ 6.58 crore)⁴³ due to burning of pipes by the agitating people coupled with denial of irrigation facility to farmers.

The matter was referred to the Government in February 2021; reply was awaited (July 2021).

Recommendation: The Department of Water Resources should fix responsibility of the officer concerned who approved the discharge of outlet without ensuring availability of water in minor and Department of Soil and Water Conservation should also take action against the officers for non-obtaining prior consent of the land owners to ensure hindrance free site.

WATER RESOURCES DEPARTMENT

3.6 Avoidable payment of Fixed Charges

Delay in initiating the process of reduction in connected load as well as complying with the requirements of Punjab State Power Corporation Limited resulted in avoidable payment of ₹ 2.69 crore on account of fixed charges.

Rule 2.10 (a) (1) of the Punjab Financial Rules (PFR), Volume-I, provides that every Government employee incurring or sanctioning expenditure from the revenues of the State should be guided by high standards of financial propriety. Rule further provides that every Government employee is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

⁴² (i) Soil and Water Conservation Department; and (ii) Water Resources Department.

⁴³ ₹ 1.58 crore: Lying with Department and ₹ 3.75 crore: pipes lying at various sites and pipes costing ₹ 1.25 crore were burnt.

Punjab State Electricity Regulatory Commission (Commission) decided (November 2017) to implement two part tariff structure with the applicable fixed charges and energy charges from 2017-18. Punjab State Power Corporation Limited (PSPCL) was directed to publish the tariff determined by the Commission and to give wide publicity. Accordingly, PSPCL issued a circular on 10 November 2017 detailing tariff structure for the year 2017-18. As per this circular, fixed charges⁴⁴ were levied from 01.01.2018 to 31.03.2018 and further revised for the year 2018-19.

Audit observed (November 2018) from the records of Financial Advisor cum-Chief Accounts Officer (FA&CAO), Ranjit Sagar Dam (RSD) that the energy load of 34,247 Kilo Watt Ampere Hour (KWAH⁴⁵) at peak demand or 24,175 Kilo Volt Ampere Hour (KVAH⁴⁶) was required for RSD during the construction of this project which was completed in 2001. Thereafter, only operation and maintenance works were to be carried out. Hence the load requirement would decrease. In view of orders (November 2017) of the Commission, energy load was required to be re-fixed so that the burden of fixed charges could be reduced as per the present required energy load. The Department did not initiate this process immediately on issuance of the instructions. The Chief Engineer (RSD) decided (May 2018) in a meeting held with all the engineers of the Project that the connected electricity load was required to be reduced from 24,175 KVAH to 8,500 KVAH in view of the present day requirements of the Project. Thereafter, a request for reduction in load was forwarded to PSPCL in May 2018 which was rejected on the plea that complete details about all the electrical equipment, machinery and motors were not mentioned in the application. The Department took further four months to revise the details and the case was re-submitted on 26 September 2018 for revision of load to 8,500 KVAH from 24,175 KVAH. The revised load of 8,500 KVAH was approved in October 2018. As a result, payment of ₹ 4.15 crore was made for the period from January 2018 to September 2018 against the requirement of ₹ 1.46 crore.

The Department stated (June 2019) that after imposition of fixed charges on connected load from January 2018, the matter was taken up with the PSPCL on 28 May 2018 for reduction in connected load as per actual requirements. The reply of the Department was not acceptable as the Department initiated the matter for reduction in connected load five months after issuance of instructions. Moreover, the Department took further four months to provide complete data about the connected load requirements to PSPCL due to which

⁴⁴ Fixed charges for connected load above 2,500 KVA were at the rate of ₹ 230/KVAH upto 31 March 2018 which were revised to ₹ 240/KVAH with effect from 1 April 2018 to 30 June 2018 and for the month of September 2018 and to ₹ 248/KVAH for the period 1 July 2018 to 31 August 2018.

⁴⁵ KWAH means unit of active energy consumption.

⁴⁶ KVAH means total energy consumption.

an avoidable payment of ₹ 2.69 crore was made upto September 2018 (*Appendix-3.1*).

Thus the Department's laxity in initiating the process of reduction in connected load as well as delay in complying with the requirements of PSPCL, resulted in avoidable payment of ₹ 2.69 crore.

The matter was referred to the Government in June 2019; reply was awaited (July 2021).

Recommendation: The Department must ensure prompt action on financial matters to safeguard interest of State exchequer and take appropriate action against the responsible officer for not initiating the process on time.

3.7 Unfruitful expenditure

Failure of the Department to ensure hindrance-free site prior to allotment of work and non-observance of codal provisions resulted in unfruitful expenditure of ₹ 1.40 crore on incomplete work.

Paragraph 2.92 of the Punjab Public Works Department Code, provides that no work should be commenced on land which has not been duly made over by the responsible civil officer. Paragraph 3.6 read with sub-para 5 of Irrigation Manual of Orders (IMO) provides that Department land plan of Government property should be co-ordinated with the corresponding revenue papers. The Executive Engineer (EE) should reconcile the land records of his office with that of Revenue Department and discrepancy, if any, should be rectified. Correct plan should be prepared and boundary pillars should be erected as fast as possible, where not already existing.

Audit observed (February 2019) that an administrative approval was accorded (November 2016) for re-lining of Moonak Branch System⁴⁷ (System) for ₹ 4.38 crore. Accordingly, two estimates⁴⁸ for ₹ 2.64 crore for relining of Moonak Branch from Reduced Distance (RD) 0-47055 were sanctioned (December 2016) by the competent authority. The objective of the work was to provide saline free canal water to the villages⁴⁹ falling in Moonak Block, District Sangrur as the ground water of this area was saline and not fit for irrigation. The canal lining work was 25-30 years old. Consequently, its intake capacity (49.12 cusec) was reduced due to seepage and water losses. The water was not reaching the tail of the canal.

Scrutiny of records (February 2019) of the EE, Lehal Division (Irrigation Branch), Patiala further revealed that the works for RD 0-21000 and 21000-47055 were allotted (December 2016) to a contractor 'A'. These were

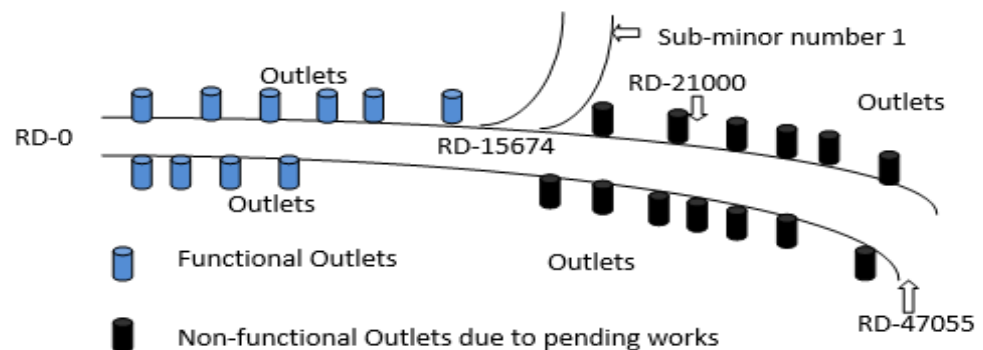
⁴⁷ The system is a canal that off takes from RD 102835/L of ladbanjara Distributary in Moonak Block of Sangrur district. The system having length of 47055 feet and discharge of 49.12 cusec water includes a Sub-Minor No. 1 that also off takes at RD 15674/L.

⁴⁸ From RD 0-21000 for ₹ 1.27 crore and 21000-47055 for ₹ 1.37 crore.

⁴⁹ Dhadiyan, Dhindsa, Bhutal Khurd, Bhathua, Salemgarh, Moonak, Kariyaal, Hamirgarh, Bhundar Bhaini, Surjan Bhaini.

due to be completed by February 2017. During execution of works, it came to notice (December 2016) of the Department that two outlets⁵⁰ were located at higher side as per approved L-section due to which the water could not be provided to 950 acre land falling under those outlets. This necessitated change in design of canal bed. Further, during execution of work, two land disputes⁵¹ arose and a court case regarding land ownership was also filed in respect of RD 44900 to 45300. As a result, the contractor held up (August 2017) the work after completion of 65 per cent work at site and a payment of ₹ 2.68 crore⁵² was made there-against.

After finalising (July 2019) the bills of contractor 'A', the balance work was re-allotted (December 2019) to another contractor 'B' at the original rates sanctioned by the Chief Engineer. The work from RD 0-21000 was allotted for ₹ 29.18 lakh and from RD 21000-47055 for ₹ 94.12 lakh. The contractor executed the work valuing ₹ 0.52 crore⁵³ (up to February 2020). However, the work as a whole was still lying incomplete as the work at RD 40273 to 44900 and RD 44900 to 45300 was not completed (March 2021) due to ownership dispute and court case respectively. Only 85 per cent of the total work was completed (March 2021) after incurring total expenditure of ₹ 3.20 crore⁵⁴ (RD 0-21000: ₹ 1.80 crore and RD 21000 to 40273: ₹ 1.40 crore) and the water was supplied only up to RD 15674 i.e for sub-minor⁵⁵ No.1. The water was being provided upto RD 15674 due to non-completion of four outlets falling between RD 15674-21000. The expenditure of ₹ 1.40 crore incurred on RD 21000-40273 could not yield any results as no water was supplied in this reach. A diagrammatic representation of re-lining the Moonak Branch System is shown below:



The Department stated (April 2019 and January 2020) that they were not aware about the alignment dispute as the Moonak branch was running since

⁵⁰ At RD-19384/Right side and outlet RD-29170/Right.

⁵¹ (i) Between RD 18927 and RD 23177; and (ii) between RD 40273 to 44900.

⁵² ₹ 1.62 crore: RD 0-21000 and ₹ 1.06 crore RD 21000-47055.

⁵³ ₹ 0.18 crore: RD 0-21000 and ₹ 0.34 crore RD 21000-47055.

⁵⁴ Against original allotment = ₹ 2.68 crore; against re-allotment = ₹ 0.52 crore.

⁵⁵ A small canal off takes from Moonak branch.


last forty years. Further, the Department admitted the fact that water was running up to RD 15674 and physical progress was 85 *per cent*. The reply of the Department was not acceptable as it failed to ensure encumbrance free site prior to allotment of the work. Moreover, the Department did not reconcile the land plan of the System with the records of Revenue Department to check for any discrepancy prior to start of work, as provided in the Rules.

Thus, due to non-observance of codal provisions as required in IMO and allotment of work without ensuring hindrance free site and without preparation of an accurate design of the work resulted in non-completion of work between RD 21000 to 47055. It rendered the expenditure of ₹ 1.40 crore incurred on this work as unfruitful besides denying facility of saline free water to the farmers of the area.

The matter was referred to the Government in May 2019; reply was awaited (July 2021).

Recommendation: The Land Plan of Government property should be prepared by the Department and reconciled with that of concerned Revenue Department to trace out discrepancy in the land/building plan so that the action may be taken to remove such discrepancy.

Chandigarh
The 22 November 2021


(PUNAM PANDEY)
Principal Accountant General (Audit), Punjab

Countersigned

New Delhi
The 15 December 2021


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

Appendices

Appendices

Appendix 1.1

(Referred to in paragraph 1.9; page 6)

Details of performance audits/paragraphs of the Reports of the Comptroller and Auditor General of India on Public Sector Undertakings (Social, General and Economic Sectors) for which departmental replies were not received up to 31 March 2021

Sr. No.	Name of Department/ Public Sector Undertaking	2012-13		2013-14		2014-15		2015-16		2016-17		2017-18		Total number of	
		PA	Para No	PA	Para No.	PA	Para No.	PA	Para No.	PA	Para No.	PA	Para No.	PAs	Paras
I	Power														
1.	Punjab State Power Corporation Limited		3.1 to 3.6										2.1 to 2.9		15
2.	Punjab State Transmission Corporation Limited												2.10, 2.11		2
II	Food and Civil Supplies														
3.	Punjab State Civil Supplies Corporation Limited	2.1	3.7*		3.16 [#]		3.12 ^{\$} , 3.13 [@]		3.7, 3.8		3.11, 3.12, 3.7, ^{&} 3.8 ^{&} , 3.9 ^{&} , 3.10 [%]		5.4, 5.2 [?] , 5.3 [?]	1	9
4.	Punjab State Grain Procurement Corporation Limited		3.7*		3.13, 3.14		3.12 ^{\$} , 3.13 [@]		3.6 [^]	2.1	3.7 ^{&} , 3.8 ^{&} , 3.9 ^{&}		5.2 [?] , 5.3 [?]	1	9
III	Industries and Commerce														
5.	Punjab Information and Communication technology Corporation Limited	2.3												1	
6.	Punjab State Industrial Development Corporation Limited						3.15								1
7.	Punjab Financial Corporation										3.16				1

Sr. No.	Name of Department/ Public Sector Undertaking	2012-13		2013-14		2014-15		2015-16		2016-17		2017-18		Total number of	
		PA	Para No	PA	Para No.	PA	Para No.	PA	Para No.	PA	Para No.	PA	Para No.	PAs	Paras
8.	Punjab Small Industries and Export Corporation Limited							3.3		3.14, 3.15		5.5, 5.6, 5.7		6	
IV	Agriculture and Farmer Welfare														
9.	Punjab Agro Industries Corporation Limited							3.4						1	
10.	Punjab Agri Export Corporation Limited					3.14								1	
11.	Punjab State Warehousing Corporation		3.7*	2.1	3.16 [#]	3.12 ^s , 3.13 [@]		3.10, 3.6 [^]		3.7 ^{&} , 3.8 ^{&} , 3.9 ^{&}		5.1 ⁺ , 5.2 [?] , 5.3 [?]	1	2	
12.	Punjab Agro Foodgrain Corporation Limited				3.16 [#]			3.6 [^]		3.13, 3.7 ^{&} , 3.8 ^{&} , 3.9 ^{&} , 3.10 [%]		5.1 ⁺ , 5.2 [?] , 5.3 [?]		1	
13.	Punjab Agro Juices Limited									3.17				1	
V	Forest														
14.	Punjab State Forest Development Corporation Limited				3.17									1	
VI	Water Recourses														
15.	Punjab Water Recourses Management and Development Corporation Limited							2.1	3.9					1	1
VII	Transport														
16.	Punjab State Bus Stand Management Company Limited										4.1			1	

Sr. No.	Name of Department/ Public Sector Undertaking	2012-13		2013-14		2014-15		2015-16		2016-17		2017-18		Total number of	
		PA	Para No	PA	Para No.	PA	Para No.	PA	Para No.	PA	Para No.	PA	Para No.	PAs	Paras
VIII	Irrigation, and Power and Energy														
17.	Punjab Energy Development Agency, Punjab Irrigation Department and Punjab State Power Corporation			2.2										1	
	Total	2	7	2	4	-	4	1	7	1	11	1	18	7	51

Source: Office records

- * Para 3.7 of Audit Report 2012-13 shown at Sr. Nos. 3, 4 and 10 pertains to two departments and has been counted once.
- # Para 3.16 of Audit Report 2013-14 shown at Sr. Nos. 3, 10 and 11 pertains to two departments and has been counted once.
- \$ Para 3.12 of Audit Report 2014-15 shown at Sr. Nos. 3, 4 and 10 pertains to two departments and has been counted once.
- @ Para 3.13 of Audit Report 2014-15 shown at Sr. Nos. 3, 4 and 10 pertains to two departments and has been counted once.
- ^ Para 3.6 of Audit Report 2015-16 shown at Sr. Nos. 4, 10 and 11 pertains to two departments and has been counted once.
- & Para 3.7, 3.8 and 3.9 of Audit Report 2016-17 shown at Sr. Nos. 3, 4, 10 and 11 pertain to two departments has been counted once.
- % Para 3.10 of Audit Report 2016-17 shown at Sr. No.3, 11 pertains to two departments and has been counted once.
- + Para 5.1 of Audit Report 2017-18 shown at Sr. Nos. 10 and 11 pertain to two PSEs and one department has been counted once.
- ? Para 5.2 and 5.3 of Audit Report 2017-18 shown at Sr. No. 3, 4, 10 and 11 pertains to two departments and has been counted once.

Appendix 1.2

(Referred to in paragraph 1.9; page 6)

Details of performance audits/paragraphs of the Reports of the Comptroller and Auditor General of India on Social, General and Economic Sectors (Non-Public Sector Undertakings) for which departmental replies were not received up to 31 March 2021

Sr. No.	Name of the Department	2013-14		2014-15		2015-16		2016-17		2017-18		Total number of	
		PA	Para No.	PA	Para No.	PA	Para No.	PA	Para No.	PA	Para No.	PAs	Paras
1.	Agriculture	2.1*	-	-	3.1 3.2	-	-	-	3.15	-	3.19&	01	04
2.	Animal Husbandry, Dairy Development and Fisheries	2.1*	-	-	-	-	-	-	-	-	-	-	-
3.	Tourism and Cultural Affairs	-	-	-	-	-	-	-	3.16	-	3.13^	-	02
4.	Finance	-	3.4	-	3.4# 3.15	2.2	-	-	-	-	3.2\$	01	04
5.	Governance Reforms	-	-	-	3.5	-	-	-	3.3	-	-	-	02
6.	Health and Family Welfare	-	-	-	-	-	3.2 3.4	-	3.4	2.1	3.3@ 3.4	01	05
7.	Medical Education	-	-	-	-	-	-	-	-	-	3.3@ 3.9 3.10 3.11	-	03
8.	School Education	-	-	-	-	-	-	-	-	-	3.2\$	-	-
9.	Home Affairs and Justice	-	-	-	-	-	-	-	-	-	3.5, 3.6, 3.7	-	03
10.	Housing and Urban Development	-	-	-	-	-	-	2.3	-	-	-	01	-
11.	Local Government	-	-	-	3.4#	-	-	-	3.11	-	-	-	01

Sr. No.	Name of the Department	2013-14		2014-15		2015-16		2016-17		2017-18		Total number of	
		PA	Para No.	PA	Para No.	PA	Para No.	PA	Para No.	PA	Para No.	PAs	Paras
12.	Public Works (B and R)	-	-	-	-	-	-	-	-	-	3.2 ^{\$} 3.13 [^]	-	-
13.	Revenue, Rehabilitation and Disaster Management	-	-	-	-	-	3.15 3.17	-	3.18 3.19	-	-	-	04
14.	Technical Education and Industrial Training	-	-	-	-	-	-	-	-	-	3.16	-	01
15.	Welfare of SCs and BCs	-	-	-	-	-	-	2.4	-	-	-	01	-
16.	Labour Department	-	-	-	-	-	-	-	-	2.2	-	01	-
17.	Town and Country Planning	-	-	-	-	-	-	-	-	-	3.18	-	01
18.	Soil & Water Conservation	2.1*	-	-	-	-	-	-	-	-	3.19 ^{&}	-	-
	Total	01	01	-	05	01	04	02	07	02	13	06	30

Source: Office records

* Para 2.1 of Audit Report 2013-14 shown at Sr. Nos. 1, 2 and 18 pertains to three departments and has been counted once.

Para 3.4 of Audit Report 2014-15 shown at Sr. Nos. 4 and 11 pertains to two departments and has been counted once.

\$ Para 3.2 of Audit Report 2017-18 shown at Sr. Nos. 4, 8 and 12 pertains to three departments and has been counted once.

@ Para 3.3 of Audit Report 2017-18 shown at Sr. Nos. 6 and 7 pertains to two departments and has been counted once.

^ Para 3.13 of Audit Report 2017-18 shown at Sr. Nos. 3 and 12 pertains to two departments and has been counted once.

& Para 3.19 of Audit Report 2017-18 shown at Sr. Nos. 1 and 18 pertain to two departments has been counted once.

Appendix 2.1

(Referred to in paragraph 2.9; page 24)

Statement showing short recovery on account of undelivered rice and VAT thereon under OTS scheme

Name of the district office	Name of the miller	Crop Year	Quantity of undelivered rice (in qtls.)	Value of rice to be recovered under OTS @ ₹ 2807.08 per quintal (in ₹) (4*2807.08)	Rate of applicable VAT on rice (in per cent)	Amount of VAT to be recovered on rice under OTS (in ₹) (5*5/100)	Amount of VAT actually recovered (in ₹)	Amount of VAT less recovered on rice (in ₹) (7-8)	Value of rice actually recovered under OTS including already deposited amount (in ₹)	Amount under recovered on quantity of undelivered rice (in ₹) (5-10)	Total short recovery of undelivered rice and VAT (in ₹) (9+11)
1	2	3	4	5	6	7	8	9	10	11	12
Patiala	M/s P.R.G.U.S. Samana	KMS 2011-12	4,779.34	1,34,15,990	5	6,70,799	0	6,70,799	1,34,15,990	0	6,70,799
Ludhiana	M/s Dev Rice Mill Machiwarra	KMS 2010-11	4,454.01	1,25,02,762	5	625,138	4,48,345	1,76,793	89,66,902	35,35,860	37,12,654
Barnala	M/s Rankeshwar RGM Dhanaula	KMS 2011-12	3,432.75	96,36,004	5	4,81,800	0	4,81,800	96,36,004	0	4,81,800
Barnala	M/s Angad Rice Mills Handiya	KMs 2011-12	1,295.78	3,63,7358	5	1,81,868	0	1,81,868	36,37,358	0	1,81,868
Sangrur	M/s Khalsa RGM Hathan	KMS 2013-14	889.45	24,96,757	5	1,24,838	0	1,24,838	24,96,757	0	1,24,838
Sangrur	M/s Brij Rice Mill, Sunam	KMS 2009-10	8,727.312	2,44,98,263	5	12,24,913	0	12,24,913	2,44,98,263	0	12,24,913
Fatehgarh Sahib	M/s Walia Rice Mill, Jamitgarh	KMS 2012-13	5,008.01	1,40,57,885	5	7,02,894	0	7,02,894	1,27,05,584	13,52,301	20,55,195

Name of the district office	Name of the miller	Crop Year	Quantity of undelivered rice (in qtls.)	Value of rice to be recovered under OTS @ ₹ 2807.08 per quintal (in ₹) (4*2807.08)	Rate of applicable VAT on rice (in per cent)	Amount of VAT to be recovered on rice under OTS (in ₹) (5*5/100)	Amount of VAT actually recovered (in ₹)	Amount of VAT less recovered on rice (in ₹) (7-8)	Value of rice actually recovered under OTS including already deposited amount (in ₹)	Amount under recovered on quantity of undelivered rice (in ₹) (5-10)	Total short recovery of undelivered rice and VAT (in ₹) (9+11)
Fatehgarh Sahib	M/s Walia Rice Mill, Jamitgarh	KMS 2013-14	11,831.6	3,32,12,248	5	16,60,612	0	16,60,612	3,32,12,248	0	16,60,612
Fatehgarh Sahib	M/s G.T.Rice Mill, Vill. - Brass	KMS 2011-12	4,991.39	1,40,11,231	5	7,00,562	0	7,00,562	1,12,89,351	27,21,880	34,22,442
Fatehgarh Sahib	M/s G.T.Rice Mill, Vill. - Brass	KMS 2012-13	7,469.53	2,09,67,568	5	10,48,378	0	10,48,378	2,09,67,568	0	10,48,379
Total				14,84,36,066		7,42,18,03	4,48,345	69,73,458	1,40,82,6025	76,10,041	1,45,83,499

Source: Information furnished by Company

Appendix 3.1

(Referred to in paragraph 3.6; page 49)

Detail of avoidable payments on account of fixed charges

(Amount in ₹)

Month	Fixed charges paid (with load of 24,175 KVAH)	Fixed charges required to be paid (8,500 KVAH at the rate of ₹ 230/KVAH w.e.f. 01.01.2018 to 31.03.2018; ₹ 240/KVAH w.e.f. 01.04.2018 to 30.06.2018 and 01.09.2018 to 30.09.2018 & ₹ 248/KVAH w.e.f 01.07.2018 to 31.08.2018 with 80 per cent of the sanctioned contract demand)	Avoidable/ extra payment
01/2018	44,48,200	15,64,000	28,84,200
02/2018	44,48,200	15,64,000	28,84,200
03/2018	44,48,200	15,64,000	28,84,200
04/2018	46,41,600	16,32,000	30,09,600
05/2018	46,41,600	16,32,000	30,09,600
06/2018	46,41,600	16,32,000	30,09,600
07/2018	47,96,320	16,86,400	31,09,920
08/2018	47,96,320	16,86,400	31,09,920
09/2018	46,41,600	16,32,000	30,09,600
Total	4,15,03,640	1,45,92,800	2,69,10,840

Source: Departmental data

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