

## Chapter II

### AUDIT OF TRANSACTIONS

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

#### 2.1 Fraud/misappropriation/embezzlement/losses/over payments

##### Health and Medical Education Department and Education Department

##### 2.1.1 Suspected embezzlement

**Failure of the Drawing and Disbursing officers in observing prescribed financial checks resulted in suspected misappropriation of Rs 6,60,325.**

Punjab Financial Rules (PFR) as applicable to Haryana, *inter-alia*, require the Drawing and Disbursing Officer (DDO) to satisfy himself that every payment voucher bears an acknowledgement of payment and all monetary transactions are entered in the cash-book as soon as they occur and the same are attested by the concerned DDO. Rules further provide that at the end of each month, the head of the office is required to verify the cash balance in the cash-book and record a signed and dated certificate to that effect. If a Government employee, who is not in-charge of cash-book, receives money on behalf of Government, he is required to remit the same at the earliest opportunity to the Government employee having a cash-book or deposit the amount to the treasury. The head of the office is also required to verify all the entries including total of all entries in the cash-book or have this done by some responsible official other than the writer of the cash-book and initial all entries as correct. All receipts should be credited into the treasury on the same day or on the next day at the latest and there should be a corresponding entry of the same on the payment side of the cash-book.

##### (a) Health and Medial Education Department

i) Scrutiny of records (September 2008) of Civil Surgeon (CS), Jind revealed that an amount of Rs 3,88,485 was drawn (between August 2007 and March 2008) from treasury under Devi Rupak Yojana (DRY) and Janani Suraksha Yojana (JSY) for payment to the Community Health Centres (CHC) and for payment of house tax to Municipal Committee, Jind. Out of this, an amount of Rs 1,62,185 was shown as disbursed (October 2007

and March 2008) in the cash-book but there were no proper receipts to confirm these disbursements. Further, Rs 1,80,500 were neither disbursed nor deposited in treasury till 2 September 2008 though the amount had been drawn five to twelve months in advance. Thus, these amounts were misappropriated by the cashier. On being pointed out during audit (03 September 2008), the CS, Jind recovered the amount from the cashier and the amounts were disbursed and deposited in the treasury as detailed in *Appendix XVI*. Failure of the DDO to check and attest the entries in the cash-book with the actual payee receipts and non-verification of cash balance with cash-book at the end of the month facilitated the suspected misappropriation of Rs 3,42,685. The Director General, Health Services, stated (January 2009) that the departmental disciplinary action was being taken against the defaulter but the final outcome was awaited (May 2009).

ii) Similarly, scrutiny of records (January/February 2009) of Pandit Bhagwat Dayal Sharma Post Graduate Institute of Medical Sciences, Rohtak (PGIMS) which was upgraded as Pandit Bhagwat Dayal Sharma University of Health Sciences, Rohtak (University) vide Haryana Act 26 of 2008 dated 02 June 2008 revealed that cash was being collected by the cashier from patients against receipts in the radiology department of PGIMS/University on account of head scan, whole body scan, ultra sound, etc. As no cash-book was being maintained in the radiology department, the amount so collected was deposited in the cash branch of PGIMS/University for crediting the same to the Government account upto 20 July 2008 and thereafter in the bank account of the University. Further, scrutiny of daily receipt books and cash receipt registers as maintained by the radiology department revealed that there was a suspected misappropriation of Rs 2,58,235 wherein Rs 1,64,405 from October 2007 to 20 July 2008 and Rs 93,830 from 21 July 2008 to 16 January 2009 due to short/non-accountal of receipts in daily cash receipt registers including totalling errors and carrying forward of incorrect balances. Failure of the DDO to check the entries made in the cash receipt registers and to verify the totalling of the daily cash receipt registers facilitated the suspected misappropriation of Rs 2,58,235.

On being pointed out during audit (February 2009), the department conducted the internal audit and worked out the misappropriated amount as Rs 2,94,955. The Financial Commissioner and Principal Secretary to Government of Haryana, Health and Medical Education Department stated (July 2009) that the total misappropriated amount of Rs 2,94,955 has been recovered (May 2009) from the cashier and deposited (May 2009) in the University Bank Account. The then cashier of radiology department had been placed under suspension and charge sheet was being issued. However, final outcome of the case was awaited (June 2009).

**(b) Education Department**

Scrutiny of records (May 2008) of Block Education Officer (BEO), Jatusana (Rewari) revealed that an amount of Rs 22,685, on account of undisbursed

incentive money, was returned (between May 2006 and April 2008) by centre in-charges/school heads to the BEO's office. The amount was neither taken in the cash-book nor deposited in treasury. Thus, the amount of Rs 22,685 was misappropriated. On being pointed out in audit, the BEO, Jatusana intimated (February 2009) that Rs 22,685 have been recovered and deposited in treasury on 15 December 2008. However, no departmental action had been initiated against the defaulter.

Thus, due to failure of the DDOs in exercising the checks as prescribed under Financial Rules facilitated the suspected misappropriation of Rs 6,60,325. The entire amount has been recovered from the defaulters as stated above. Further, departmental action to fix the responsibility of the defaulting officials/officers was awaited.

All the above points were demi-officially referred to the Financial Commissioners and Principal Secretaries to Government of Haryana of the Departments concerned in November 2008 and March 2009; reply to sub-para (a) (i) and (b) had not been received (August 2009).

#### **Home and Jail Department**

##### **2.1.2 *Fraudulent drawal of City Compensatory Allowance and House Rent Allowance***

**City Compensatory Allowance and House Rent Allowance amounting to Rs 1.33 crore was drawn and disbursed to employees posted at Bhondsi, on the basis of a fraudulent letter, by the Police and Jail Departments.**

The State Government revised (1998) the rates of City Compensatory Allowance (CCA) and House Rent Allowance (HRA) for its employees. The rates of HRA were revised again in December 2004. The HRA and CCA were admissible to all the employees on the basis of classification of cities/towns/villages as notified by the State Government. As per this notification, village Bhondsi of district Gurgaon was not included in any area/city/town classified for entitlement of CCA and for the purpose of HRA it was covered in the category of unclassified cities/towns/villages.

Scrutiny of records (between June 2007 and March 2009) of the Commandants, 1<sup>st</sup> and 3<sup>rd</sup> India Reserve Battalions (IRBs), Inspector General of Police, Centre for Police Training and Research, Superintendent of Police, Recruit Training Centre (RTC), Superintendent, District Jail, Gurgaon and information collected (March 2009) from Commandant 2<sup>nd</sup> IRB (all offices situated at village Bhondsi) revealed that employees posted in these offices were paid CCA and HRA at the rates as were applicable for Gurgaon city. It was further noticed that these allowances were paid on the basis of a letter dated 2 July 2002 stated to be issued by the Financial Commissioner and Principal Secretary to Government of Haryana, Home Department authorising payment of CCA and HRA to the employees

of Police Training Centre, Bhondsi at Gurgaon city rates. Since Bhondsi falls outside the municipal limits of Gurgaon and is a gram panchayat, the payment of HRA and CCA at Gurgaon rates was objected by audit (June 2007 and March 2009) and simultaneously a reference was made to the Financial Commissioner and Principal Secretary to Government of Haryana, Home Department, seeking confirmation of the orders issued during July 2002. The Financial Commissioner clarified (January 2009) that no decision had yet been taken for granting CCA and HRA at the rates of Gurgaon city to police employees working at Bhondsi and intimated that the letter dated 2 July 2002 had been tampered with for which a separate inquiry was being conducted.

The CCA and HRA were drawn and paid at higher rates to all the police personnel posted in Bhondsi on the basis of a fake document/authority with effect from August 2002. This resulted in inadmissible payment of CCA and HRA amounting to Rs 1.33 crore (CCA Rs 0.94 crore plus HRA Rs 0.39 crore) during the period between November 2001 to February 2009. Against this inadmissible payment of CCA and HRA, a sum of Rs 0.89 crore had been recovered (February-June 2009) from the monthly salary and arrears of pay and allowances due to the employees.

On being pointed out during audit (January 2009), the Director General of Police, Haryana admitted the facts and stated (February 2009) that a First Information Report (FIR) had been registered (January 2009) at Police Station, Bhondsi and the investigation was being conducted by State Crime Branch, Panchkula. It was further stated that the directions had been issued to discontinue the inadmissible payment of CCA and HRA and to recover the excess amount already paid to the employees. The department intimated (August 2009) that no inadmissible payment was made after February 2009.

Thus, the City Compensatory Allowance and House Rent Allowance amounting to Rs 1.33 crore was drawn on the basis of a fraudulent letter by Police and Jail Departments and paid to the employees. Final outcome of the investigation and recovery of the amount paid was awaited (June 2009).

The matter was demi-officially reported to the Financial Commissioner and Principal Secretary to Government of Haryana, Home and Jail Department in January 2009; reply had not been received (August 2009).

## Education Department

### 2.1.3 Loss due to non-utilisation of Central grant

**Loss of interest amounting to Rs 19.20 lakh due to irregular retention of GOI grant of Rs 2.60 crore meant for implementation of Expanded Operation Blackboard Scheme in Schools for more than eight years in saving/current bank accounts.**

The 'Expanded Operation Blackboard' (OBB) scheme modified (June 1993) by Government of India (GOI) to cover upper primary schools was aimed to provide teaching-learning equipment i.e. text books, teacher guides, maps, education charts, children books, reference books, blackboard, chalk, duster, furniture, mats, play material, etc. Each school under the scheme was required to receive Rs 50,000 for its implementation. As the scheme envisaged community participation, Rs 10,000 were to be contributed by the *Gram Panchayat* (GP) and the balance Rs 40,000 by GOI. The GOI, Ministry of Human Resources Development (Department of Education) sanctioned a grant of Rs 4.60 crore on 26 March 1999 for implementing the scheme in 1,150 upper primary schools. As the funds were released at the fag end of the financial year, the GOI extended (April 2001) the period of utilisation of unspent balances upto 30 September 2001 failing which the unutilised amount was to be refunded.

Scrutiny of records (May 2002-January 2005) of nine<sup>1</sup> District Education Officers (DEOs) and relevant information collected (January/February 2009) from all the DEOs revealed that the Director, Secondary Education, Haryana (Directorate) released (September 2001) Rs 4.60 crore to 19 DEOs for purchase of teaching-learning equipment for 1,150 schools. As per instructions of Directorate (11 March 2002), these funds were to be utilised by 31 March 2002. An analysis of utilisation of funds by the DEOs revealed the following;

- Only five<sup>2</sup> DEOs were able to utilise completely the amount of Rs 1.28 crore released for 321 schools although matching contribution was not received from 126 GPs;
- Out of the total central grant of Rs 1.48 crore released to six<sup>3</sup> DEOs for 370 schools, only Rs 0.72 crore were spent although matching contribution from 49 GPs was not received. Matching grant of Rs 0.30 lakh also remained unspent;
- In the remaining eight districts, the DEOs had received central grant of Rs 1.84 crore for 459 schools but did not utilise the grant at all, although the matching grant of Rs 24.70 lakh was received from the GPs for 247 schools;

<sup>1</sup> DEOs: Bhiwani, Fatehabad, Kaithal, Karnal, Kurukshetra, Panipat, Sirsa, Narnaul and Yamunanagar.

<sup>2</sup> DEOs: Faridabad, Jind, Rewari, Sonipat and Yamunanagar.

<sup>3</sup> DEOs: Ambala (Rs 8.81 lakh), Bhiwani (Rs 26.70 lakh), Gurgaon (Rs 8.31 lakh), Mahendragarh (Rs 14 lakh), Panchkula (7.20 lakh) and Rohtak (Rs 6.97 lakh).

- Five<sup>4</sup> DEOs spent central grant of Rs 70.72 lakh on 175 schools even though the matching contribution had not been received from the concerned GPs.

Thus, the central grant of Rs 2.60 crore, apart from GPs contribution of Rs 0.25 crore remained unutilised (January 2009) for more than eight years. Out of central grant of Rs 2.60 crore, Rs 2.12 crore were kept in saving bank account and Rs 0.48 crore in current account. The department earned interest of Rs 0.49 crore on the amount in saving account, however, interest (Rs 19.20 lakh<sup>5</sup>) was not earned on Rs 48 lakh kept in current bank account.

The Commissioner and Director General, Secondary Education stated (December 2008) that the funds could not be utilised due to non receipt of share from GPs and GOI had been requested to extend the period of utilisation upto 31 March 2009. The GOI, however, refused (May 2009) to grant the extension and directed the State Government to refund the unutilised funds of the scheme with interest.

Thus, State Government failed to utilise the GOI grant of Rs 2.60 crore provided (September 2001) for implementation of Expanded Operation Blackboard Scheme in schools for more than eight years and also suffered a loss of interest of Rs 19.20 lakh due to parking of funds in the current bank accounts.

The matter was demi-officially reported to Financial Commissioner and Principal Secretary to Government of Haryana, Education Department in March 2009; reply had not been received (August 2009).

#### **Education Department (Maharshi Dayanand University, Rohtak)**

##### **2.1.4 Loss due to non-availing of full Central assistance**

**Due to lack of planning and slackness in submitting the revised plans/ estimates to Government of India, Maharshi Dayanand University, Rohtak suffered a loss of Central assistance of Rs 49.88 lakh.**

In order to overcome the problem of affordable and safe accommodation for working women, Government of India, Ministry of Human Resource Development, Department of Women and Child Development (GOI) introduced (April 2001) a scheme to provide assistance by construction/expansion of hostel buildings for 100 inmates for working women with a day-care centre in cities, smaller towns and rural areas. The GOI was to provide 75 per cent of the cost of the building as grants-in-aid, out of which 90 per cent was to be paid in three equal instalments after receipt of utilisation certificate of previous instalments and the balance 10 per cent was to be released on the receipt of the completion

<sup>4</sup> DEOs: Bhiwani (Rs 20.32 lakh), Faridabad (Rs 12.40 lakh), Jind (Rs 19.20 lakh), Rewari (Rs 2.80 lakh) and Yamunanagar (Rs 16 lakh).

<sup>5</sup> Calculated at the rate of five per cent per annum for eight years i.e. from September 2001 to August 2009.

certificate and audited expenditure. The building was to be constructed strictly in accordance with the plan approved by GOI. No change in the plan was to be made without the prior approval of GOI. The work was to be completed within 24 months from the date of receipt of first instalment of grants-in-aid.

A proposal for construction of a working women hostel for only 48 inmates, submitted (May 2002) to GOI by Maharshi Dayanand University, Rohtak (MDU) was approved in October 2004 for a total estimated cost of Rs 45.70 lakh with a condition that no escalation would be allowed. In the meantime, the Vice-Chancellor (VC) desired (November 2004) that hostel be constructed for the capacity of 72 inmates. Though VC, MDU decided (December 2004) to process and submit the revised estimated cost to GOI for release of grant but the revised proposal was not submitted to GOI. Central assistance of Rs 34.28 lakh was sanctioned (May 2005) and two instalments amounting to Rs 20.57 lakh were received upto May 2007.

Scrutiny of records (November-December 2008) of the Registrar, MDU revealed that the work “Construction of Working Women Hostel with Day Care Centre for Children” was allotted (January 2006) to a contractor at an approximate cost of Rs 44 lakh with a completion time of 10 months. After commencement of the construction work for two storey hostel building, the revised rough cost estimate for construction of third floor was prepared and administrative approval of Rs 88.83 lakh (October 2006) was accorded. This was further enhanced to Rs 94.97 lakh in April 2007. But the revised building plan and estimates were not submitted to GOI for approval. The work was completed (June 2007) after incurring an expenditure of Rs 1.12 crore.

The above chronology of events depicted that the decision to add an extra floor to the building was taken after one month of GOI’s approval of the proposal in October 2004 and much before the sanction and release of central assistance. The preparation and approval of revised cost estimate took almost two years. Due to this lack of planning and slackness, MDU suffered a loss of Rs 49.88 lakh<sup>6</sup> as it failed to avail the central assistance on the total cost of hostel building. Had MDU prepared the estimate for the complete building at the first instance itself or prepared the same as per revised cost immediately, this loss could have been avoided. Besides, even the balance amount of Rs 13.71 lakh from the approved estimates (Rs 34.28 lakh minus Rs 20.57 lakh) had not been received from GOI (May 2009).

On being pointed out by audit (December 2008), the Finance Officer of MDU while admitting the facts stated (May and August 2009) that the GOI had been requested (December 2008) to release the amount of Rs 63.59 lakh including Rs 13.71 lakh. Reply was not in consonance with the terms and conditions of GOI as the changes in the building plan had been made without consulting or obtaining prior approval of GOI, who had approved the proposal with the condition that no cost escalation would be allowed in future (October 2004).

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<sup>6</sup> Rupees 84.16 lakh (75 per cent of Rs 112.21 lakh) minus Rs 34.28 lakh.

Thus, due to lack of planning and slackness on the part of MDU in submitting the revised plans/estimates, MDU suffered a loss of Rs 49.88 lakh as it failed to avail central assistance of Rs 49.88 lakh.

The matter was demi-officially reported to Financial Commissioner and Principal Secretary to Government of Haryana, Education Department in March 2009; reply had not been received (August 2009).

### **Public Works Department (Irrigation Branch)**

#### **2.1.5 Parking of funds outside the Government account**

**Significant funds were kept outside the Government account in contravention of Financial Rules/Treasury Rules which resulted in loss of interest of Rs 4.47 crore.**

As per Punjab Financial Rules/Punjab Subsidiary Treasury Rules as applicable to Haryana, the funds for the acquisition of land required for Public Works Department (PWD) are to be deposited with the concerned District Revenue Officer-cum-Land Acquisition Officer (DRO-cum-LAO), PWD (Irrigation Branch). The funds received by the DRO-cum-LAO for the acquisition of land are to be deposited in treasuries by operating a Revenue Deposit (RD) account for each project. Payments regarding land compensation to the land owners are to be made by drawing funds from the concerned RD account. Financial Rules further provides that no money should be drawn from the treasury unless it is required for immediate disbursement.

Scrutiny of records and information collected (October-November 2008 and June 2009) from 15<sup>7</sup> Divisional Officers (Irrigation and Water Supply & Sanitation Branches) and two DRO-cum-LAOs (Ambala and Rohtak) revealed that an amount of Rs 182.94 crore was deposited (between May 2006 and March 2009) by the Divisional Officers with the concerned DRO-cum-LAOs through bank drafts/cheques for acquisition of land required for the projects to be executed by the department. The DRO-cum-LAO Ambala and Rohtak deposited this amount with various public sector banks by opening eight accounts (three interest bearing and five non-interest bearing) instead of opening project-wise RD accounts in the treasuries. In addition to this, the DRO-cum-LAO, Rohtak withdrew (between November 2006 and February 2007) an amount of Rs 22.43 crore from the RD accounts in the treasury and deposited the same in the current/saving bank accounts. An amount of Rs 43.50 crore was still available

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<sup>7</sup> Water Services Division, Ambala; Water Services Division, Dadupur; Hathni Kund Barrage Division, Jagadhri; Water Services Division, Jagadhri; Water Services Division, Pundri; Kaithal Water Services Division, Kaithal; Construction Division, Kaithal; Construction Division, Kurukshetra; Water Services Division, Kurukshetra; Project Division, Panchkula; Construction Division No. 19, Rohtak; Water Services Feeder Division, Rohtak; Sampla Water Services Division, Rohtak; Rohtak Water Services Division, Rohtak and Water Supply and Sanitation Division, Rohtak.

(23-28 July 2009) with the concerned banks.

It was further noticed that significant balances were available in the said banks as the amounts so drawn were not immediately required for payment towards land compensations and hence the same remained outside the Government account during May 2006 to March 2009, this also resulted in loss of interest to the tune of Rs 4.47 crore (worked out at the prevailing Treasury Bills interest rate ranging between 6.11 *per cent* and 9.06 *per cent* after deducting interest earned in saving bank accounts) as per details given in *Appendix XVII*.

On being pointed out during Audit (December 2008), DRO-cum-LAO, Ambala stated (February 2009) that the amounts were kept in the saving bank account in view of the difficulties faced in maintaining the RD accounts in the treasury. The DRO-cum-LAO, Rohtak stated (February 2009) that in order to avoid delay due to shortage of staff in making payment of land compensation to the land owners, the bank accounts were opened. The reply was not in consonance with codal provisions as operation of such bank accounts for land compensation payments was contrary to provisions of treasury rules. Further, the shortage of staff was no excuse for deviation from the prescribed procedure.

Thus, keeping the huge amount outside Government account in contravention of codal provisions resulted in loss of interest of Rs 4.47 crore.

The matter was demi-officially referred to the Financial Commissioner and Principal Secretary to Government of Haryana, Irrigation Department in March 2009; reply had not been received (August 2009).

## **2.2 Excess payment/Wasteful/Infructuous expenditure**

### **Administration of Justice Department**

#### **2.2.1 Infructuous expenditure on empanelment of advocates**

**Empanelment and engagement of standing counsels for State without assessing work resulted in infructuous expenditure of Rs 55.56 lakh on payment of retention fee.**

In order to defend/plead the cases on behalf of Haryana Government in the Supreme Court of India, Delhi High Court, District Courts, Central Administrative Tribunal, National Commission and other courts located at Delhi, the Financial Commissioner and Principal Secretary to Government of Haryana, Department of Administration and Justice empanels advocates such as Senior Additional Advocate General, Additional Advocate General, Deputy Advocate General, Assistant Advocate General, Standing Counsels, Additional Standing Counsels and Advocates on Record, on terms and conditions prescribed by the State Government. The authority to allocate cases in various courts at Delhi to

law officers/advocates from amongst the panel of advocates approved and circulated by the State Government has been vested (August 2007) with the concerned Administrative Secretary/Head of Departments in consultation with the office of the Advocate General of Haryana. Earlier, two advocates amongst the Standing Counsels were nominated and authorised to allocate cases among the counsels. Cases relating to Special Leave Petitions/review/reference/miscellaneous petitions to be filed in Supreme Court of India are required to be entrusted to the Standing Counsel/Additional Standing Counsel/Empanelled Advocates approved by the Government of Haryana.

In addition to professional fee prescribed (May 2002 and March 2004) by Haryana Government for attending to the cases of the State in various courts at Delhi, the Senior Additional Advocate General/Additional Advocate General were also paid retainership of Rs 52,000 and Rs 50,000 respectively per month. Further, Deputy Advocate General and Assistant Advocate General were also engaged on contract basis in the pay scale of Rs 18,400-500-22,400 and Rs 13,500-375-17,250 respectively and Standing Counsels/Additional Standing Counsels/Advocates on record were paid monthly fixed amount of Rs 9,000.

Scrutiny of records (February 2009) of Additional Director of Prosecution, Haryana Legal Cell, Haryana Bhawan, New Delhi revealed that 57 to 73 advocates were empanelled during the years 2005-09 to plead the cases in various courts at Delhi on behalf of Haryana Government. Of these, 26 advocates were not engaged to file any case in any court at Delhi, however, contractual/retention fee of Rs 55.56 lakh was paid to them during the years 2005-09. This depicted that there was no proper monitoring by the department on regular basis. It was also observed that out of these 26 advocates, 18 were paid retention fee for a period ranging between 2 to 4 years without assigning any work. It was also observed by audit that neither any criteria had been prescribed for determining the eligibility of advocates for empanelment nor any guidelines were issued for allocation of cases to the advocates so as to ensure equal distribution of work with the payment to the empanelled advocates on case to case basis.

On being pointed out during audit, Additional Director of Prosecution, Haryana Legal Cell, Haryana Bhawan, New Delhi, while admitting the facts stated (February 2009 and April 2009) that responsibility for distribution of cases among the empanelled advocates was entrusted to two nominated advocates up to August 2007 and thereafter with concerned Administrative Secretaries of the departments. However, the Government has now delegated (July 2009) the powers to the Additional Director of Prosecution for allocation of cases amongst the counsels and at present no advocate is without work.

Thus, empanelment/engagement of standing counsels without assessing the volume of work resulted in infructuous expenditure of Rs 55.56 lakh on payment of retention fee by the department.

The matter was demi-officially referred to the Financial Commissioner and Principal Secretary to Government of Haryana, Administration of Justice

Department in May 2009; reply had not been received (August 2009).

### Health Department

#### 2.2.2 Unfruitful expenditure on purchase of food testing equipment

**Purchase of food and drug testing equipment without keeping in view the prescribed methods for testing of samples in pharmacopoeia<sup>8</sup> resulted in unfruitful expenditure of Rs 17.90 lakh.**

The Government of India (GOI), Ministry of Health and Family Welfare proposed (December 1999) a “Capacity Building Project on Food Safety and Quality Control of Drugs” in Food and Drug sectors with the World Bank assistance. The objective of the project was to ensure high standards of quality, safety and efficiency of food and drugs, enhancing capacity and capability of laboratories in the Centre and States. The Project was the first systematic and comprehensive attempt to upgrade the infrastructure of food and drug laboratories of the States and for effective implementation of Prevention of Food Adulteration Act, 1954 and Drug Act, 1940.

Scrutiny of records (July 2008) of Government Analyst, Haryana, Chandigarh revealed that a comprehensive proposal under this project for supply of instruments/equipments for testing of food and drug samples was sent (March 2003) by the Director General, Health Services to the Financial Commissioner and Principal Secretary to Government of Haryana, Health Department for submission to GOI for acceptance. The proposal to acquire the equipments included the ‘High Performance Thin Layer Chromatograph’ (HPTLC). The equipment purchased at a cost of Rs 17.90 lakh was received (September 2005) by the State Drug Laboratory, Chandigarh and was installed in March 2006. It was further noticed during audit that the equipment was lying idle and had not been used for any useful purpose since its installation. Its warranty period of two years had also expired in March 2008.

On being pointed out by audit, the Government Analyst, Haryana while admitting the facts intimated (between July 2008 and April 2009) the following reasons for not utilising the equipment:

- The equipment was demanded by the then Government Analyst without consulting other Government Analysts and technical staff;
- The testing of drug samples by the instrument was not in accordance with official methods prescribed in the pharmacopoeia i.e. Indian Pharmacopoeia (IP), British Pharmacopoeia (BP) and United States Pharmacopoeia (USP), which was the standard for testing samples in the laboratory;

<sup>8</sup> Pharmacopoeia is an encyclopaedia giving information about pharmaceutical salts and equipments.

- Operational cost of the equipment was very high and the funds provided for this were significantly less; and
- Shortage of trained staff as the existing staff was not sufficient for testing the routine drug samples received in the laboratory.

It was, therefore, evident that the equipment had been demanded without assessing its applicability, utility and capacity. Further, the equipment was not able to meet the standards of pharmacopoeia followed in India. The operational cost of the equipment should have been kept under consideration before finalising the purchase. Further, the laboratory also did not have sufficient staff to carry out its routine testing, therefore, it was unlikely that the laboratory would get trained staff to operate this equipment effectively.

Thus, finalising the purchase of equipment without examining its operational applicability and capacity for testing of drug samples resulted in unfruitful expenditure of Rs 17.90 lakh.

The Financial Commissioner and Principal Secretary to Government of Haryana, Health Department while admitting the facts, stated (August 2009) that the instrument would be shifted in some other Government institution for research and development work.

### **2.3 Violation of contractual obligations/undue favour to contractors/avoidable expenditure**

#### **Town and Country Planning Department (Haryana Urban Development Authority)**

##### **2.3.1 *Avoidable expenditure due to non-maintenance of prescribed power factor and non-enhancement of contract demand***

**Failure in maintaining the prescribed power factor and getting the sanctioned load enhanced by Haryana Urban Development Authority resulted in avoidable expenditure of Rs 3.41 crore on account of penalty and surcharge.**

Haryana State Electricity Board now known as namely Dakshin Haryana Bijli Vitran Nigam (DHBVN) and Uttar Haryana Bijli Vitran Nigam (UHBVN) issued instructions (June 1996 and January 1997) that every High Tension (HT) consumer should maintain the Monthly Average Power Factor (MAPF) at 90 *per cent*. In the event of failure to maintain MAPF, penalty equal to one *per cent* of energy charges for each one *per cent* fall in power factor between 90 and 80 *per cent* and thereafter at the rate of two *per cent* for each *per cent* decrease in power factor was to be imposed. In order to maintain the prescribed power factor, the consumer was required to install adequate capacitors. Further,

in case the demand of a consumer exceeded the contract demand during any month by more than five *per cent*, a surcharge of 25 *per cent* on energy consumption charges was to be levied.

Scrutiny of records (August-October 2008) of two divisions<sup>9</sup> of Haryana Urban Development Authority (HUDA) revealed that the contract demand of the HT Power connections under both the divisions exceeded the contract demand by more than five *per cent*. Further, the power factor of the said connections had also not been maintained within the prescribed limit. As a result, an additional amount of Rs 3.41 crore was levied as penalty/surcharge on electricity bills for the period from April 2005 to May 2009 as detailed below:

Sr. No.	Name of Division	Period	Surcharge/penalty for low Power Factor	Surcharge/penalty for exceeding contract demand	Total
			(Rupees in crore)		
1	HUDA Division No III, Gurgaon	April 2007 to May 2009	0.11	3.16	3.27
2	Construction Division HUDA, Sonipat	April 2005 to March 2009	0.06	0.08	0.14
<b>Total</b>			<b>0.17</b>	<b>3.24</b>	<b>3.41</b>

The Executive Engineer (EE), HUDA Division No. III, Gurgaon requested DHBVN (June 2007) to enhance the power load from 2,300 KVA to 3,500 KVA and an additional amount of Rs 28.41 lakh was deposited (August 2007) on receipt of initial demand from DHBVN as security amount. The DHBVN, however, demanded (May 2008) additional amount of Rs 1.12 crore for installation of 11 KV independent feeder for water treatment plant. But the said amount has not been deposited by the HUDA so far (August 2009).

On being pointed out by audit, the EE stated (April-June 2009) that the load had increased due to addition of more machinery, commissioning (April 2007) of second unit of water treatment plant to cope with the increased water supply demand. The power factor could not be maintained as the capacitors installed were very old and were not functioning due to mechanical fault. Therefore, the penalty was deposited to avoid disconnection. Similarly, the EE, Construction Division HUDA, Sonipat while admitting (February-May 2009) the facts stated that UHBVN had been requested (December 2008) to enhance the load and required amount had also been deposited. However, replies did not explain the reasons as to why the requisite amount was not deposited and load had not been enhanced for such a long period.

Thus, failure in maintaining the prescribed power factor and not processing the case of enhancement of sanctioned load led to avoidable expenditure of Rs 3.41 crore on account of penalty and surcharge. The extra expenditure could have been avoided had corrective measures in terms of enhancement of contract demand, maintenance of power factor by replacement of defective capacitors or installation of adequate capacitors as per instructions of the electricity company been taken in time.

<sup>9</sup> HUDA Division No. -III, Gurgaon and Construction Division HUDA, Sonipat.

The matter was demi-officially referred to Financial Commissioner and Principal Secretary to Government of Haryana, Town and Country Planning Department in February 2009; reply had not been received (August 2009).

**Public Works Department (Buildings and Roads Branch)**

**2.3.2 Extra expenditure due to non-allotment of work**

**Due to failure on the part of the department in processing and finalising the tender of first contractor within validity period, the department had to incur an extra expenditure of Rs 64.17 lakh.**

The Financial Commissioner and Principal Secretary to Government of Haryana, Public Works Department (PWD), Buildings and Roads Branch (B&R) administratively approved (January 2006) the work “Improvement by widening from Km 0 to 5.30 and widening and strengthening from Km 5.30 to 12.30 of Garhi Bawani Khera Road in Hisar/Bhiwani District” for Rs 3.65 crore under NABARD scheme. Detailed notice inviting tender amounting to Rs 2.40 crore was approved (February 2006) by the Engineer-in-Chief (EIC), Haryana, PWD (B&R). Tenders for the work were invited (17 February 2006) by the Superintending Engineer, Bhiwani Circle, PWD (B&R), Bhiwani (SE) and only one bid from a contractor<sup>10</sup> was received on 13 March 2006 with the bid price of Rs 2.81 crore and completion time of nine months. The validity period of the bid was 90 days from the date of receipt of tenders.

Scrutiny of records (May 2007) of the Executive Engineer, Provincial Division, PWD (B&R), Bhiwani revealed that the bid was sent to EIC on 28 April 2006 for approval. The bid was not approved by the EIC and tender case was returned to SE on 9 November 2006 with the direction to get the validity period of the tender extended and in case the agency did not agree, the tender should be re-invited. The agency refused (December 2006) to extend the validity period of the offer and the department re-invited the tender (January 2007), the work was allotted (July 2007) to another agency/contractor<sup>11</sup> for Rs 3.72 crore with a completion time limit of nine months. The work was completed (November 2008) after incurring expenditure of Rs 3.59 crore. Thus, on retendering, the work was allotted at higher rates than those offered by the first contractor in March 2006, which resulted in extra expenditure of Rs 64.17 lakh, as per details given in *Appendix XVIII*.

On being pointed out by audit, the EIC while confirming the facts stated (July 2008 and June 2009) that when the tender case of M/s Neeraj Builders was under process in his office, the case file got misplaced and was found in October 2006, after expiry of validity period. As such the tender could not be approved. The EIC further stated (July 2009) that inquiry is being conducted for

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<sup>10</sup> M/s Neeraj Builders, Sector-13, Hisar.

<sup>11</sup> Shri Ishwar Singh contractor, Vidhya Nagar, Bhiwani.

fixing the responsibility for loss of tender case file. However, the final outcome was awaited.

Thus, due to failure on the part of the department in timely processing the case and non-allotment of work to the first contractor within validity period, the department had to incur an extra expenditure of Rs 64.17 lakh.

The matter was demi-officially reported to Financial Commissioner and Principal Secretary to Government of Haryana, Public Works Department, Buildings and Roads Branch in April 2009; reply had not been received (August 2009).

### 2.3.3 *Extra expenditure due to delay in finalisation of drawings*

**Due to delay in providing approved drawings and design of the bridge to the agency, department had to incur extra expenditure of Rs 45.47 lakh as the agency left the work midway.**

Public Works Department Code provides that no work should commence unless detailed design is approved, estimate sanctioned, allotment of funds made and orders for its commencement issued by the competent authority. The Commissioner and Secretary to Government of Haryana, Public Works Department (PWD), Buildings and Roads Branch (B&R) accorded (March 2003) administrative approval for Rs 3.87 crore for construction of High Level (HL) Bridge over Ghaggar river crossing Dhandota-Baopur road including spillway, stone pitching and approaches in Kaithal district. As per the provisions of Manual of Orders of PWD (B&R), Indian Roads Congress (IRC) standard specification and code of practice for road bridge in India, the design of the road bridge was to be based on the basis of maximum discharge of the river during the last ten years.

Scrutiny of records (May 2008) of Executive Engineer, Provincial Division, PWD (B&R), Kaithal revealed that the work for construction of HL bridge was allotted (27 April 2004) to an agency for Rs 1.05 crore with the condition to complete the said work within ten months. However, the detailed estimates and design were not approved by the competent authority. The detailed design and structural drawings of the bridge were submitted in June 2003 to the Engineer-in-Chief (EIC), Haryana, PWD (B&R), Chandigarh by the Superintending Engineer, PWD (B&R), Jind circle and the same were approved and provided to contractor in March 2005, notwithstanding the fact that contract period had expired on 26 February 2005. The delay in approval of design and drawings was due to change in hydraulic data owing to floods of August 2004. The design and drawings was initially based on the average discharge of 81,000 cusecs as against the maximum discharge during last 10 years i.e. one lakh cusecs codal provisions of the revised design and drawings based on the maximum discharge of one lakh cusecs (recorded during August 2004 floods) was finally approved in March 2005. The agency started the work on 15 May 2005 and expressed its inability (March 2006) to complete the work within the allotted amount due to increase in the rates of material and labour. The agency executed the work upto the agreed amount and payment of Rs 1.05 crore was made to the agency upto

February 2008 for the work done. The department while closing the agreement imposed a penalty of Rs 10.50 lakh (June 2006) on the agency under clause 2 of the agreement which was reduced (June 2008) to Rs 0.50 lakh by SE. However, no recovery was made (May 2009). The balance work was allotted (September 2007) to another agency for Rs 1.13 crore with completion period of six months. Total expenditure of Rs 2.31 crore was incurred on the balance work upto 15 June 2009. Thus, due to delay in approval and providing drawings to the first agency coupled with higher rates allowed for the second agency in comparison to rates allowed to the first agency resulted in an extra expenditure of Rs 45.47 lakh on the execution of balance work.

On being pointed out during audit (June 2008), the EIC while admitting that drawings were made available to the agency late due to re-designing the bridge, stated (November 2008) that keeping in view the heavy floods during August 2004 structural drawings were re-designed by increasing the depth of foundation. Reply in itself is an admission that the design and drawings were not based on maximum discharge of the river. The design should have been based on the maximum discharge during the last ten years whereas, the department considered the average discharge instead of maximum discharge at the time of submission of design and drawings for approval. Moreover, the flood of September 2004, which necessitated the redesigning of the bridge, was of one lakh cusecs, while a similar flood of one lakh cusecs had occurred in 1993, which was ignored while designing the bridge initially.

Thus, adopting incorrect hydraulic data in preparing the design of the bridge at first stage resulted in an additional expenditure of Rs 45.47 lakh on execution of the balance work allotted to second agency at higher rates. Extra expenditure could have been avoided, had the department provided the design drawings to the agency within the contract period.

The matter was demi-officially referred to the Financial Commissioner and Principal Secretary to Government of Haryana, Public Works Department, (Buildings and Roads Branch) in April 2009; reply had not been received (August 2009).

**Public Works Department (Buildings and Roads Branch), Education Department (Maharshi Dayanand University, Rohtak and Guru Jambheshwar University, Hisar) and Agriculture Department (Haryana State Agricultural Marketing Board)**

#### **2.3.4 Undue benefit to the executing agencies**

**Non-deduction of cess from the bills of ongoing construction works was a violation of the Cess Act and resulted in undue benefit of Rs 52.84 lakh to the executing agencies.**

Government of India (GOI) enacted the Building and Other Construction Workers

(Regulation of Employment and Conditions of Service) Act, 1996 (BOCW Act) and the Building and Other Construction Workers Welfare Cess Act, 1996 (Cess Act). The main objective of the Acts was to regulate the employment and conditions of service for building and other construction workers. The GOI, Ministry of Labour vide notification dated 26 September 1996 specified that cess at the rate of one *per cent* of the total cost of construction to be levied on the employer. Accordingly, the Haryana Government framed (March 2005) the Haryana Building and Other Workers (Regulation of Employment and Conditions of Service) Rules, 2005 (Rules). Further, Haryana Government constituted (November 2006) Haryana Building and Other Construction Workers Welfare Board (Board) to carry out the welfare schemes for construction workers and imposed (February 2007) levy of cess at the rate of one *per cent* in accordance with the requirements of the Cess Act. As per the Cess Act, the cess was to be deducted at source on building or other construction works of Government or Public Sector Undertakings from the bills paid and the proceeds of the cess collected were to be transferred to the Board. The Engineer-in-Chief (EIC), Haryana Public Works Department (PWD), Buildings and Roads Branch (B&R) issued (May 2007) directions to all Superintending Engineers (SE) and Executive Engineers (EE) in the State to ensure appropriate action and compliance of the issue with immediate effect.

Scrutiny of records (November 2008-March 2009) of the EE, Provincial Division, PWD (B&R), Panipat, Maharshi Dayanand University (MDU), Rohtak and Haryana State Agricultural Marketing Board (HSAMB) Division, Hisar and further information collected (March-May 2009) from nine<sup>12</sup> divisions and Guru Jambheshwar University of Science and Technology (GJU), Hisar revealed that the said offices paid Rs 94.34 crore to various executing agencies on account of execution of 148 works allotted to them between April 2007 and December 2008 but cess amounting to Rs 0.94 crore, as detailed below, had not been deducted from the bills of the executing agencies by the concerned authorities.

Sr. No.	Name of Office	Number of Works	Months of allotment of work	Total amount paid	Amount of cess recoverable @ 1 <i>per cent</i>
				(Rupees in crore)	
1.	PWD (B&R)	19	May 07 to June 08	33.23	0.33
2.	EE, HSAMB, Hisar	95	May 07 to April 08	32.56	0.33
3.	MDU, Rohtak	25	May 07 to December 08	26.14	0.26
4.	GJU, Hisar	9	April 07 to July 08	2.41	0.02
<b>Total</b>		<b>148</b>		<b>94.34</b>	<b>0.94</b>

None of the agreements executed for the said works except one had a provision for deduction of cess. The EEs Chandigarh, Sirsa and Rewari stated (March-July 2009) that there was no provision of recovery of cess in the agreements

<sup>12</sup> Provincial Division No.2, Ambala Cantt.; Construction Division Haryana, PWD (B&R), Chandigarh; Provincial Division, Naraingarh; Construction Division (NH), PWD (B&R), Panchkula; Provincial Division No. 4, Rohtak; Provincial Division, Rewari; Provincial Division No. 1 and II, Sonipat; Provincial Division No. 2, Sirsa.

executed with the executing agencies. The EEs of six divisions<sup>13</sup> intimated (June-July 2009) that cess amounting to Rs 16.11 lakh had been recovered in respect of 12 cases pointed out by the audit. The GJU, HSAMB and MDU intimated (between December 2008 and May 2009) that clause of recovery had been inserted in the agreement from January 2008, June 2008 and December 2008 respectively. The Registrar, GJU, Hisar stated (July 2009) that an amount of Rs 2.16 lakh had been recovered. The EE (Works), MDU intimated (April-May 2009) that a sum of Rs 23.23 lakh had been recovered and notices for recovery of balance cess were being issued to the other executing agencies. The Chief Administrator, HSAMB intimated (July 2009) that all the EEs of the Board had been directed to calculate the amount of labour cess due for making payment to the department concerned. The replies were an admission of the lapse, as deduction of cess was a statutory requirement.

Thus, non-deduction of cess from the bills of ongoing construction works by PWD (B&R), HSAMB, MDU and GJU was a violation of the Cess Act, 1996 and resulted in undue benefit of Rs 52.84 lakh<sup>14</sup> to the executing agencies, which would have otherwise been spent on the welfare schemes/activities for construction workers.

The matter was demi-officially referred to Financial Commissioners and Principal Secretaries of the Departments concerned in May and June 2009; replies had not been received (August 2009).

**Supplies and Disposals Department and Public Works Department  
(Water Supply and Sanitation Branch)**

**2.3.5 Extra expenditure on purchase of Ductile Iron pipes**

**Purchase of Ductile Iron pipes in piece-meal by the Water Supply and Sanitation Department resulted in an extra expenditure of Rs 5.16 crore.**

Financial Rules provide that purchases should be made in most economical manner in accordance with the requirement of the public service. For the purchase of stores, the departments are required to approach the Directorate of Supplies and Disposals, Haryana (DSD), the purchasing agency for the State. Heads of departments are required to consolidate their requirements of stores of materials and place indents in a consolidated form with DSD.

Scrutiny of records (June 2008) of DSD revealed that instead of placing a consolidated indent, the Water Supply and Sanitation Department placed indents for the procurement of Ductile Iron (DI) pipes of various classes and sizes during

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<sup>13</sup> Provincial Division No.2, Ambala Cantt.; Provincial Division, Naraingarh; Construction Division, (NH) PWD (B&R), Panchkula; Provincial Division No. 4, Rohtak; Provincial Division No. 1 and II, Sonapat.

<sup>14</sup> PWD (B&R): Rs 17.12 lakh, HSAMB: Rs 32.56 lakh, MDU: Rs 2.91 lakh and GJU: Rs 0.25 lakh.

the year 2007-08 at frequent intervals<sup>15</sup> for which separate purchase orders<sup>16</sup> were placed by DSD time and again at short intervals. Thus, purchase of DI pipes in piece-meal rather than a consolidated purchase resulted in an extra expenditure of Rs 5.16 crore as per details given in *Appendix XIX*.

The DSD stated (March and July 2009) that it was reportedly not possible for indenting department to send the consolidated indents on annual or semi-annual basis as the requirements were received from field offices at different intervals due to approval of schemes and receipt of funds at different times and inventory in no case was to be built up for more than three months' requirements. The reply was not in consonance with the codal provisions as the DSD had inherent powers to ask the indenting departments to send the consolidated requirement of materials alongwith delivery schedule evenly spread over a prescribed period with a view to avoid accumulation of inventories. In cases of regular use, the DSD had authority to organise and operate rate contract. Further, as plan schemes to be implemented during the year 2007-08 alongwith the allocation of funds were approved by the State Sanitary Board in the month of June and July 2007, as such the department could easily make the assessment of its requirements.

Thus, due to purchase of DI pipes in piece-meal, the Water Supply and Sanitation Department had to incur an extra expenditure of Rs 5.16 crore, which could have been avoided had the indenting department placed a consolidated indent after assessing its requirement or the DSD had arranged the rate contract.

The matter was demi-officially referred to Financial Commissioner and Principal Secretaries of the Departments concerned in June 2009; reply had not been received (August 2009).

### **Public Works Department (Water Supply and Sanitation Branch)**

#### **2.3.6 Extra expenditure on acquisition of land**

**Delay in depositing the money by the department with the Land Acquisition Collector resulted in an extra expenditure of Rs 63.12 lakh on account of payment of land compensation at enhanced rates.**

For acquisition of land for public purpose, the State Government is required to issue a preliminary notification under Section 4 of the Land Acquisition Act, 1894 (the Act), showing its intention to acquire the land. After hearing and settling objections, if any, received from the public or the interested parties, a final gazette notification for acquiring land is required to be published under Section 6. Further, Section 23 of the Act stipulates that the amount of compensation payable to land owners shall be determined with reference to the market value of land prevailing on the date of notification published under Section 4.

<sup>15</sup> May 2007, July 2007, August 2007, December 2007 and March 2008.

<sup>16</sup> June 2007, August 2007, November 2007 and January-March 2008.

The State Sanitary Board approved (July 2005) an estimate of Rs 50.86 lakh for the work “Providing Sewage Treatment Plant (STP)” at Ganaur Town of Sonipat district and provided funds of Rs 25 lakh. Accordingly, notifications under Sections 4 and 6 of the Act were issued in November 2005 and January 2006 respectively for the acquisition of 11 acre 7 kanal 19 marla land from village Ganaur for construction of STP. In the meanwhile, the State Government decided (September 2006) that the project for providing Sewerage Scheme and STP of Ganaur Town may be transferred to National Capital Region Planning Board (NCRPB). Adequate arrangements were to be made. The estimates of Rs 14.26 crore were revised to Rs 15.08 crore in January 2008. The expenditure was to be met from the sanctioned budget of the department. The cost of the project was to be shared in the ratio of 75:25 between NCRPB and State Government. The NCRPB approved (March 2008) the detailed project report and released the first instalment of loan of Rs 2.82 crore out of sanctioned loan of Rs 11.31 crore. The balance cost of Rs 3.77 crore was to be borne by the State Government.

Scrutiny of records (April 2008) of the Executive Engineer, Water Supply and Sanitation Division No. II, Sonipat (EE) revealed that the Land Acquisition Collector (LAC), Sonipat requested<sup>17</sup> the EE to deposit Rs 2.24 crore in his office before 28 February 2007 so that the award could be announced. The amount demanded by LAC included land rate at the rate of Rs 12.50 lakh per acre and other allowances admissible under the Act. The EE requested (17 January 2007) the Superintending Engineer, PWD Public Health Circle, Sonipat for special allotment of Letter of Credit (LOC) of Rs 2.24 crore but no funds were allotted and hence the award was not announced. In the meantime, the State Government enhanced the land rates to Rs 16 lakh per acre with effect from 22 March 2007. The LAC, Sonipat revised the demand and requested (April 2007) the EE to deposit Rs 2.86 crore for announcing the award. The department released LOC for Rs 2.86 crore on 18 May 2007 in anticipation of approval of the project from NCRPB and the amount was deposited by the EE on 21 May 2007. The LAC, Sonipat announced (May 2007) the award of compensation amounting to Rs 2.86 crore for acquisition of land measuring 11 acre 7 kanal 19 marla at the rate of Rs 16 lakh per acre, prevailing at that time and 30 *per cent* compulsory acquisition charges with additional amount admissible under the Act, which was paid to land owners.

Thus, due to delay in depositing the money with LAC, the department ended up paying higher rates for the land and thereby incurring an extra expenditure of Rs 63.12 lakh i.e. Rs 67.22 lakh<sup>18</sup> minus Rs 4.10 lakh (interest at the borrowing rate of 7.33 *per cent* prevailing at that time).

On being pointed out during audit, the Engineer-in-Chief, Haryana, Public Health, Engineering Branch, Panchkula stated (February 2009) that as no funds were

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<sup>17</sup> 17 January 2007 and 23 February 2007.

<sup>18</sup> Cost of land: Rs 41.98 lakh plus compulsory acquisition charges: Rs 12.59 lakh plus additional amount: Rs 12.65 lakh.

allocated to the scheme during the year 2006-07 and estimate was also not approved by the NCRPB by that time, the LOC could not be issued to avoid any complication at any later stage. The reply was contrary to the ground realities as the payment made in May 2007 was without the approval of NCRPB. Moreover, the notifications under Section 4 and 6 for acquisition of land were issued before the onset of financial year 2006-07 in November 2005 and January 2006 respectively, further, the department was required to make a provision of funds in the budget estimates or revised estimates for the year 2006-07 towards payment of land compensation. The argument about lack of a budget provision is even otherwise bereft of merit in the larger context as the department incurred an expenditure of Rs 211.98 crore during 2006-07 on the ongoing and new projects against the final budget allotment of only Rs 50.50 crore under 'Urban Sanitation Services'.

The matter was demi-officially referred to the Financial Commissioner and Principal Secretary to Government of Haryana, Water Supply and Sanitation Department in April 2009; reply had not been received (August 2009).

#### **Public Works Department (Buildings and Roads Branch)**

##### **2.3.7 *Extra expenditure due to injudicious rejection of offer of the contractor***

**Injudicious rejection of offer of the contractor resulted in an extra expenditure of Rs 26.09 lakh besides creation of liabilities of Rs 34.14 lakh on the unexecuted work.**

The Financial Commissioner and Principal Secretary to Government of Haryana, Health and Medical Education Department accorded (February 2006) administrative approval of Rs 1.91 crore for construction of two storey building of Trauma Block Centre (Block B&C) in Post Graduate Institute of Medical Sciences, Rohtak (PGIMS). The work was allotted (May 2006) to an agency for Rs 1.25 crore with the condition to complete it within 15 months. Keeping in view the shortage of land in PGIMS for construction of additional hospital and other allied buildings, the Director, PGIMS sent the proposal (February 2006) for construction of four storey building. Accordingly, revised administrative approval for construction of four storey building was accorded (February 2007) by the Government for Rs 7.20 crore. As the scope of work was revised and the same was increased due to construction of four storey building instead of two storey, the agency offered (October 2006) to execute the additional work beyond the agreement amount subject to providing of cement and steel from the department for the additional work at the store issue rates prevailing on 24 January 2006 i.e. at the time of invitation of tenders for the work. The Executive Engineer, Provincial Division No IV, Public Works Department (PWD), Buildings and Roads Branch (B&R), Rohtak (EE) recommended (October 2006) to the Superintending Engineer, Rohtak Circle, PWD (B&R),

Rohtak (SE) that issuance of material beyond the agreement amount was in favour of the department as higher bids would be received on re-inviting the tenders due to the fact that the prevailing rates were higher than the approved rates. The proposal, however, was not accepted (February 2007) by the Tender Approval Committee on the grounds that the agency may not be able to complete the work on existing terms and conditions of agreement and fresh tenders for the balance work (beyond the original agreement amount) were invited (January 2008) and balance work was allotted (April 2008) to the same agency for Rs 5.77 crore with a completion period of 18 months. The cement and steel for execution of work was to be supplied by the department at the issue rates prevailing in January 2008. The agency had completed the work to the tune of Rs 2.38 crore upto April 2009.

Scrutiny of records (January 2009) of the EE revealed that higher rates were allowed on re-tendering as the Haryana Schedule of Rates was revised<sup>19</sup> whereas the earlier work was allotted on the rates applicable from 24 July 2003 on which the agency offered to execute the balance work. This resulted in an extra expenditure of Rs 26.09 lakh on the work done upto April 2009 besides creation of extra liabilities to the tune of Rs 34.14 lakh on the remaining unexecuted work as compared to originally allotted rates.

On being pointed out by audit, the Engineer-in-Chief, Haryana PWD (B&R) stated (June 2009) that the proposal to issue the cement and steel for the work beyond the financial statement of the agency was considered but the same was not accepted by the Tender Approval Committee/department as basic conditions of the contract could not be altered. The decision of re-inviting the tenders was based on the judgement of Hon'ble Supreme Court of India dated 28 August 1990 in the case of Harcharan Singh v/s Union of India wherein the liability of the contractor to execute the extra or additional quantities of tendered items was upto 20 *per cent* and for works in excess of that limit, rates were to be determined by the Engineer-in-Charge. The reply of the department was not acceptable as the decision of the Apex Court was not applicable in this case. The terms and conditions of the cited case were different as the contractor had demanded higher rates for execution of additional work, whereas in the present case, the agency had itself offered to execute the additional work at tender rates provided cement and steel were issued departmentally. It is worth noting that the premium on Haryana Schedule of Rates notified in March 2006 was already in operation when the agency had offered to execute the enhanced scope at the existing rates which were based on the premium of July 2003. The department was, therefore, aware that re-tendering would invariably attract higher rates.

Thus, due to rejection of the proposal of the contractor at the time when increase in rates was with in the notice of the department resulted in an extra expenditure of Rs 26.09 lakh besides creation of liabilities of Rs 34.14 lakh on the unexecuted work.

The matter was demi-officially referred to Financial Commissioner and Principal

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<sup>19</sup> March 2006 and January 2008.

Secretary, Government of Haryana, Public Works Department (Buildings and Roads Branch) in May 2009; reply had not been received (August 2009).

### **Public Works Department (Irrigation Branch)**

#### **2.3.8 Extra expenditure due to incorrect assessment of land requirement by Irrigation Department**

**Due to incorrect assessment of land requirement for construction of irrigation channel, the department had to acquire additional land at enhanced rates which resulted in extra financial burden of Rs 23.91 lakh to the State exchequer.**

The Public Works Code provides that the preliminary operations including the survey should be completed before submission of a detailed project report. The Financial Commissioner and Principal Secretary to Government of Haryana, Irrigation Department accorded (November 2002) administrative approval of Rs 7.22 crore for construction of effluent channel from km 0 to 20.5 for providing irrigation from treated effluent of Sewage Treatment Plant (STP), Gurgaon. Notifications under Section 4 and 6 of the Land Acquisition Act, 1894 (the Act) were issued in June and October 2004 respectively for acquisition of land measuring 91.20 acre involving seven<sup>20</sup> villages of Gurgaon district for construction of irrigation channel for treated effluent discharge of STP from Km 4.500 to 12.100 and from Km 17.775 to 20.600. Due to revision (March 2005) of L-section, the department planned to acquire only 55.51 acre i.e. 35.69 acre less land to economise the project. Part of this land, measuring 17.63 acre, was stated to have been earlier acquired by Delhi Water Services Division (DWSD), Delhi for construction of Gurgaon Water Services (GWS) channel, whose alignment is parallel to the proposed irrigation channel. Based on the availability of land, the department worked out its requirement as 55.51 acre against 91.20 acre. The Land Acquisition Collector (LAC), Bhiwani announced (January and May 2006) award for acquisition of land measuring 54.22 acre at the rate of Rs 12.50 lakh per acre and the compensation amounting to Rs 10.24 crore which included 30 *per cent* compulsory acquisition charges and 12 *per cent* additional amount admissible under the Act was paid to the land owners.

Scrutiny of records (June 2008) of Executive Engineer, Construction Division No. 31, Gurgaon (EE) revealed that during the execution of work for irrigation channel, it was found that the land acquired for first phase for GWS channel was only 10.32 acre instead of 17.63 acre which necessitated the acquisition of additional land of 4.30 acre from these villages. It was observed during audit that the land of 17.63 acre acquired by the DWSD for construction of GWS channel was neither measured nor demarcated. Thus, fresh notifications under Section 4 and 6 of the Act for acquisition of additional land measuring 4.753 acre pertaining to three villages viz. Budhera, Kaliawas and Mankraula were issued in

<sup>20</sup> Budhera, Dhankot, Iqbalpur, Jhanjhraula, Kaliawas, Mankraula and Mubarakpur.

March 2007. The LAC, Bhiwani announced (May 2007 and November 2008) three awards for acquisition of 5.655 acre of land on actual measurement basis for these villages at the rate of Rs 16 lakh per acre prevailing at that time and compensation amounting to Rs 1.20 crore which included 30 *per cent* compulsory acquisition charges and additional amount admissible under the Act was paid to the land owners. Thus, by acquiring land at higher rates, the department had to incur extra expenditure of Rs 26.32 lakh<sup>21</sup>.

On being pointed out by audit, the EE stated (February 2009) that the land in these villages was acquired on the basis of land papers of GWS channel but during execution of channel, it was noticed that the land acquired was less than the actual requirement due to which it became necessary to acquire the extra land for constructing irrigation channel in this reach. The reply confirmed audit assumption that the department initially went ahead with acquisition of land without verifying the actual land in its possession.

Thus, without assessing and knowing the actual land requirement with reference to the land in possession, the department had to acquire additional land at enhanced rates which resulted in extra financial burden of Rs 23.91 lakh<sup>22</sup> on the State exchequer.

The matter was demi-officially reported to the Financial Commissioner and Principal Secretary to Government of Haryana, Irrigation Department in May 2009; reply had not been received (August 2009).

## **2.4 Idle investments/idle establishment/blocking of funds**

### **Industries and Commerce Department**

#### **2.4.1 Blockage of funds**

**Sanctioning the project without ensuring the availability of land resulted in blockage of Rs 2.66 crore, besides the objective of export growth could not be achieved.**

With a view to optimise the utilisation of resources and to achieve the objectives for export promotion, the Government of India (GOI), Ministry of Commerce and Industry, Department of Commerce approved (March 2002) the scheme for extending assistance to States for Developing Export Infrastructure and other Allied Activities (ASIDE). The land for the ASIDE projects was to be provided by the State Government. As per guidelines, 80 *per cent* of the funds (State

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<sup>21</sup> Cost of land: Rs 19.80 lakh plus compulsory acquisition charges: Rs 5.94 lakh plus additional amount: Rs 0.58 lakh.

<sup>22</sup> Rupees 26.32 lakh minus Rs 2.41 lakh (compound interest at the rate of 7.33 *per cent* at the borrowing rates prevailing at that time).

Component) were required to be earmarked for allocation to the States on the basis of the approved criteria and were to be utilised for approved purposes. The balance 20 *per cent* (Central Component) and amount equivalent to un-utilised portion of the funds allocated to the States in the previous year(s), if any, were to be retained at the central level for the specified purposes.

Scrutiny of records (March 2009) of the Director of Industries and Commerce, Haryana (Directorate) revealed that a proposal for setting up an Export Exhibit Centre at Panipat under the ASIDE scheme by Tourism Department was approved (January 2005) at an estimated cost of Rs 2.96 crore by the State Level Export Promotion Committee (SLEPC). The land for the proposed project was to be obtained from Haryana Urban Development Authority (HUDA). The Directorate released Rs 2.66 crore<sup>23</sup> to the Tourism Department out of ASIDE funds released to State Government by GOI without ensuring the availability of land which was a mandatory requirement for the approval of the project under the scheme. The project could not be implemented by the Tourism Department due to non-allotment of land by HUDA as the Chairman of HUDA, the Chief Minister felt (March 2008) that there was no justification for involving Tourism Department in the process and instructed that the proposed project be handed over to the Industries Department. The Industries Department could independently apply to HUDA for allotment of land and utilise the services of Haryana State Industrial and Infrastructure Development Corporation (HSIIDC) to develop the facilities. Consequently, SLEPC decided (December 2008) that the funds be allowed to be spent by another implementing agency i.e. HSIIDC as a new project for which HUDA would provide a plot measuring more than one acre at Panipat. Accordingly, the Tourism Department refunded (January 2009) Rs 2.66 crore to the Directorate. These funds were further released (February 2009) to HSIIDC. Since the matter regarding allotment of plot at Panipat by HUDA was still pending (May 2009), the amount remained with the HSIIDC and no expenditure was incurred. Meanwhile, the Directorate forwarded (January/July 2007) utilisation certificate for Rs 2.66 crore to GOI.

Thus, sanctioning the project without ensuring the availability of land, which was a mandatory requirement of the programme, resulted in blockade of funds to the tune of Rs 2.66 crore. Besides, the objective of export growth could also not be achieved.

On being pointed out in audit, the Directorate stated (April/June 2009) that the Tourism Department was preferred as 12 shops for Export Exhibit Centre, two Eating Zones, Kitchen and Public Toilets were to be provided for the visitors. Utilisation certificates were sent to GOI as the nodal agency had already released the funds to the implementing agency. The reply did not explain as to why the availability of land was not ensured prior to sanction of the project. Further, merely release of funds did not constitute expenditure as the funds were not actually utilised but the department on its own sent an incorrect utilisation certificate to GOI.

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<sup>23</sup> Rupees one crore (February 2005) and Rs 1.66 crore (March 2006).

The matter was demi officially referred to Financial Commissioner and Principal Secretary to Government of Haryana, Industries and Commerce Department in May 2009; reply had not been received (August 2009).

## **2.5 Regulatory issues and others**

### **Revenue and Disaster Management Department**

#### **2.5.1 Management of Calamity Relief Fund**

##### **2.5.1.1 Introduction**

Eleventh Finance Commission (EFC) recommended to the Government of India (GOI), Ministry of Finance, Department of Expenditure to extend (November 2000) the 'Calamity Relief Fund' (CRF) scheme for five years i.e. for financial years 2000-05. On the recommendations of Twelfth Finance Commission (TFC), the scheme was further extended (July 2005) for another five years i.e. upto financial years 2005-10. The funds were to be utilised for providing immediate relief to the victims of natural calamities such as cyclone, drought, earthquake, flood, tsunami, hailstorm, landslides, avalanche, cloud burst and pest attack. The scheme provided for the establishment of CRF in each State and fixed contribution for the fund every year. Under the scheme, the GOI was to contribute *75 per cent* of total annual allocation in the form of non-plan grant and the balance *25 per cent* was to be contributed by the concerned State Government. Records relating to CRF maintained by the Financial Commissioner and Principal Secretary to Government of Haryana, Revenue and Disaster Management Department (FCR), Line Departments<sup>24</sup> and their field offices in seven<sup>25</sup> districts were test checked between October 2007-April 2008 and January-July 2009. The deficiencies noticed in implementing the CRF scheme by the State Government are brought out in the succeeding paragraphs.

##### **2.5.1.2 Financial management**

The year-wise position of receipt, expenditure and investment made under CRF as

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<sup>24</sup> Engineer-in-Chief, Irrigation, Water Supply and Sanitation Department, Director General, Health Services (DGHS), Director General, Animal Husbandry and Dairying Department (DGAH).

<sup>25</sup> Hisar, Jind, Kaithal, Rohtak, Sirsa, Sonipat and Yamunanagar.

per Appropriation Accounts during the years 2004-09 are as below:

Year	Opening Balance	Receipts		Total	Expenditure	Balance funds	Investment in Banks	Balance
		GOI	State Government					
2004-05	311.52	74.12	24.71	410.35	20.76	389.59	215.80	173.79
2005-06	389.59	83.95	27.99	501.53	39.56	461.97	286.65	175.32
2006-07	461.97	107.28	35.76	605.01	29.99	575.02	485.31	89.71
2007-08	575.02	102.85	34.28	712.15	31.86	680.29	583.72	96.57
2008-09*	680.29	53.99	18.00	752.28	12.75	904.41*	811.37	93.04

\* This includes interest amounting to Rs. 164.88 crore earned on investments during current/previous years.

As is evident from above, significant funds remained in Government Accounts instead of investing the same in interest bearing instruments as per recommendations of TFC.

- The amount of expenditure shown in the above table represents the sanctioned amount and not the actual expenditure out of CRF. As such unspent balances received from field offices were credited into two separate saving bank accounts maintained by FCR instead of crediting the same to CRF. The year-wise<sup>26</sup> position of unspent balance available under this account ranged between Rs 0.55 crore and Rs 17.36 crore. Audit scrutiny revealed that funds ranging between Rs 0.05 crore to Rs 20.89 crore remained in these saving bank accounts during 2004-09. Interest amounting to Rs 1.47 crore could have been earned had this amount been invested in FDRs. The FCR stated (July 2009) that the unspent balances were initially deposited in the saving account of CRF and when the balances of this account became huge, it was invested as FDRs in banks.
- As per recommendations of the EFC, investment of accumulated fund was to be made in the Government of India securities, Treasury Bills, the State Government securities, the Government Public Sector bonds/units and the State Cooperative Banks. Contrary to this, during 2004-05 investments were made only in fixed deposits with banks. The TFC, while allowing the continuation of the CRF for the years 2005-10, recommended that as far as possible the investments be made in the dated securities of the Central Government (new issues). However, the Government continued to make all the investments in fixed deposits with banks. The FCR stated (July 2009) that investments could be made in any of the instruments and thus the balance funds were invested on FDRs in Nationalised/Scheduled Commercial Banks. The reply was not acceptable as guidelines clearly lay down the procedure to be adopted for fund management. The auction of treasury bills was to be first disposed of to the extent required and

**Investments of CRF were not made as per recommendation of TFC.**

<sup>26</sup> Rupees 1.56 crore, Rs 1.69 crore, Rs 0.55 crore, Rs 13.89 crore and Rs 17.36 crore at the end of 31 March 2005, 31 March 2006, 31 March 2007, 31 March 2008 and 31 March 2009 respectively.

thereafter committee should have considered the encashment of FDRs with local Scheduled Commercial Banks/Co-operative bank. The Central Government dated securities should have been sold only if the amount realised by sale of Treasury bills and the encashment of deposits was not adequate. Thus, from the above priorities, the procedure to be adopted for investments was clear.

- ***Non-refund of un-utilised balances of CRF***

**Huge unspent funds of calamity relief were retained by disbursing officers instead of refunding to CRF.**

The unspent balances in the CRF at the end of financial year were required to be refunded to FCR. Scrutiny of records revealed that the unspent balances amounting to Rs 6.24 crore was lying with the District Revenue Officers (DROs), Sub-Divisional Officers-Civil (SDOs) and City Magistrate (CTM) as detailed in **Appendix XX** which was not refunded to the FCR. In addition to this, the interest earned (Rs 13.75 lakh) by four<sup>27</sup> districts on the funds available in the bank accounts was required to be refunded to the CRF but the same has not been refunded so far (June 2009). Information from Deputy Commissioners (DC) of Gurgaon, Jhajjar and Sirsa is awaited (July 2009). The FCR stated (July 2009) that directions have been issued (August 2008) to all the DCs that the interest earned on the unspent balances should be refunded to CRF. But the unspent balances were still lying with the disbursing officers.

- ***Non-maintenance of records of CRF***

No specific records such as cash-books, ledger accounts, etc. were maintained for monitoring receipt of contributions, return of unspent balances from the field units, investment made in the banks and expenditure incurred therefrom. Audit scrutiny revealed that a sum of Rs 4.90 lakh drawn (between June 2005 and June 2007) from the bank by the FCR but there was no account of this expenditure on record. The FCR stated (July 2009) that the year-wise record of transactions has been maintained in the respective year's file. The reply of the department is not acceptable as in the absence of the cash-book, it is very difficult to keep the track of all the financial transactions viz. receipt of funds from GOI, State share, receipt of cheques of unspent balances, investment made in banks, receipt of interest thereto, expenditure incurred, etc. However, the fact remains that no detail of expenditure of Rs 4.90 lakh was provided by the FCR.

- ***Irregular diversion of funds***

**A sum of Rs 1.39 crore was irregularly spent on de-watering in water-logged areas.**

De-watering operations in the eventuality of floods were funded out of CRF and were carried out by the Irrigation Department in rural areas and Water Supply and Sanitation Department in urban areas. It was noticed that a sum of Rs 2.49 crore<sup>28</sup> was allocated during 2004-08 for de-watering in Hisar and Rohtak districts against which Rs 1.39 crore<sup>29</sup> were spent. Scrutiny of hydrological data revealed that

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<sup>27</sup> Faridabad, Kaithal, Narnaul and Yamunanagar.

<sup>28</sup> Hisar Rs 1.54 crore and Rohtak Rs 0.95 crore.

<sup>29</sup> Hisar Rs 0.98 crore and Rohtak Rs 0.41 crore.

there was normal rainfall during this period and no area was declared as flood affected. The expenditure was mainly incurred on dewatering of accumulated water in the water-logged areas adjoining canals and digging of temporary drains. These were the normal functions of the Irrigation Department and hence the expenditure was not to be charged to CRF and was, therefore, contrary to the guidelines of the fund.

- The Deputy Commissioner (DC), Kaithal released Rs 4.26 lakh to Executive Engineer, Kaithal Water Services Division, Kaithal who further released the amount to Sub-Divisional Officer Mechanical Division, Kaithal out of CRF during 2005-07 for dewatering operations in flood affected areas. The amount was, however, spent on operation and maintenance of vehicles instead of spending on dewatering operations.

### 2.5.1.3 Payment of gratuitous relief on contradictory reports

**An amount of Rs 0.54 crore was paid as relief to farmers of Bhiwani district on account of damage of crops in water logged areas in contravention of fund guidelines.**

As per guidelines, the farmers whose crops were damaged due to '*Chauva & Sem*' i.e. water logging, were not entitled for gratuitous relief under CRF. However, scrutiny of records revealed that the FCR sanctioned (July 2008) Rs 2.66 crore<sup>30</sup> to DC, Bhiwani for distribution as gratuitous relief to the farmers whose standing crops were damaged due to '*Chauva & Sem*'. Scrutiny of records (January 2009) revealed that these funds were sanctioned and released on contradictory reports of DC, Bhiwani. Firstly, it was stated (April 2007) that the damage was due to water logging i.e. '*Chauva & Sem*' which occurred every year. But after one year, it was stated (March 2008) that land was already affected due to *Chauva & Sem* and could not bear the excess rain water. It was also mentioned therein that no damage occurred during the previous years. This was also contradictory to earlier reports. In spite of variance reports, the State Government after 15 months, sanctioned Rs 2.66 crore (July 2008) for distribution to the farmers in violation of scheme guidelines. The FCR stated (March 2009) that DC, Bhiwani had intimated (March 2008) that the crop was destroyed due to heavy rains in winter season on '*Chauva and Sem*' land and there was no destruction of crops in the previous years. This reply of DC, Bhiwani is contradictory to its earlier reply (April 2007) in which it was stated that due to '*Chauva and Sem*' crop was destroyed every year. Moreover, the funds were released without getting certification from special *girdawari*.

<sup>30</sup>

Rupees 0.54 crore from CRF and Rs 2.12 crore from State budget.

#### **2.5.1.4 Fraud in distribution and double payment of CRF**

**Rupees 5.86 lakh were paid to farmers having no land. Double payment of Rs 0.89 lakh to four farmers was also observed.**

Scrutiny of records (February 2009) of DC, Mewat revealed that the payment from CRF amounting to Rs 5.86 lakh was made (March-April 2007) to the farmers of village and Tehsil Tauru who have no land as per land revenue records. Cases of double payment on the same land to four farmers were observed. This resulted in fraudulent payment of Rs 6.75 lakh including double payment of Rs 89,500 made in respect of four cases. On being pointed out by audit, the DC, Mewat intimated (June 2009) to FCR that FIR had been lodged (April 2009) against the concerned patwari. The FCR stated (July 2009) that outcome was awaited.

#### **2.5.1.5 Monitoring**

According to guidelines of Flood Manual, the relief was to be given to the deserving cases keeping in view the nature and magnitude of the loss and the funds to be demanded/released as per details of relief measures and scales provided in the Manual. In case of damage to crops by hailstorms/heavy rains/drought, the relief was to be given to the affected farmers on the basis of special *girdawari* conducted by the concerned *Patwaries* as per direction of DC. The FCR had overall responsibility for co-ordinating and monitoring the preparedness for flood relief/disaster including monitoring of financial transaction of relief measures with the assistance of DCs. The grants for relief were released by the FCR to DCs, DGHS and DGAH without any proper assessment and demand of the departments. Reports showing sub-head wise expenditure incurred every month was required to be sent to Government by 10<sup>th</sup> of the following month through DCs and Head of the departments concerned. Adjustment of the funds allotted by FCR was to be made by surrendering the extra amount before 15 March each year and refunding the unspent balances before the close of the year. It was observed that none of the DC in the test checked districts had reported this expenditure within the prescribed time frame. The FCR stated (July 2009) that advance funds have to be released to Health and Animal Husbandry Departments for purchase of preventive medicines so that at the time of any epidemic due to flood, etc. affected people are provided medicines immediately. The relief to farmers for damaged crops by hails storm/heavy rains/drought was given on the basis of the special *girdawari*. It was further stated that department submitted expenditure statement on monthly basis to the accounts branch. At the close of each financial year, all the officers/officials of the concerned departments and DCs were called alongwith the details of head-wise expenditure incurred. The reply does not explain as to why the unspent balances lying with the field offices were not surrendered at the end of each financial year.

Rainfall data were not monitored as required for declaration of flood affected area in the State. Financial management during the process of relief was deficient.

Funds were released without assessing the requirements, resultantly, there was excess drawal of funds. Funds were also diverted to other works not related to flood relief.

With a view to proper monitoring of CRF, following recommendations are made:

- Amount lying in the CRF should be invested according to the recommendation of 12<sup>th</sup> Finance Commission.
- Reporting of monthly expenditure by the executing agencies for submission to Government needs urgent attention to monitor the progressive expenditure.

## 2.6 General

### Finance Department

#### **2.6.1 (a) Follow-up on Audit Reports**

According to the instructions issued (October 1995) by the Finance Department and reiterated in March 1997 and July 2001, the administrative departments were to initiate *suo moto* positive and concrete action on all audit paragraphs and performance reviews featuring in the Comptroller and Auditor General's Audit Reports (ARs) regardless of whether the cases were taken up for examination by the Public Accounts Committee or not. The administrative departments were also required to furnish detailed notes, duly vetted by audit indicating the remedial action taken or proposed to be taken by them within three months of the presentation of the ARs to the Legislature.

A review of the position regarding receipt of Action Taken Notes (ATNs) on the paragraphs included in the ARs upto the period ended 31 March 2008 revealed that the ARs for the period 2003-04, 2004-05, 2006-07 and 2007-08 were presented<sup>31</sup> to state legislature. Of the 109 paragraphs and reviews of 27 administrative departments included in these ARs, ATNs on 45 paragraphs and reviews in case of 22 administrative departments were not submitted as per details given in the **Appendix XXI**. The administrative departments namely Public Works (Buildings and Roads Branch), Irrigation, Water Supply and Sanitation, Education, Finance and Home had not submitted the ATNs on 24 out of 45 paragraphs/reviews. Six administrative departments out of those who had submitted the ATNs, had not taken any action to recover the amount of Rs 207.27 crore in respect of 10 paragraphs and reviews as per details given in the **Appendix XXII**. Further, the response of administrative departments towards the recommendations of PAC was not encouraging as 395 recommendations relating

<sup>31</sup> Audit Report 2003-04: March 2005, Audit Report 2004-05: March 2006, Audit Report 2006-07: March 2008 and Audit Report 2007-08: February 2009.

to Audit Reports 1970-71 to 2002-03 and 2005-06 were still awaiting final action by the concerned administrative departments as per details given in **Appendix XXIII**.

### **Agriculture Department**

*(b) Non-responsiveness to audit findings and observations*

After periodical inspection of the Government Departments, Principal Accountant General (Audit) issues Inspection Reports (IRs) to the Heads of offices audited, with a copy to the next higher authorities. The executive authorities are expected to rectify promptly the defects and omissions pointed out and report compliance to the Principal Accountant General (Audit) within six weeks. A half-yearly report of IRs pending for more than six months is also sent to the concerned administrative Secretary of the Department to facilitate, monitor and finalise audit observations in the pending IRs.

A review of IRs issued upto March 2009 of various offices of Agriculture Department disclosed that 578 paragraphs of 256 IRs with money value of Rs 87.27 crore (**Appendix XXIV**) remained outstanding at the end of June 2009. Of these 158 paragraphs involving 89 IRs were more than 5 years old. Category wise details of irregularities pointed out through these IRs had not been settled as on 30 June 2009 are given in **Appendix XXV**.

The administrative Secretary of the Agriculture Department, who was informed of the position through half-yearly reports, failed to ensure prompt and timely action by the departmental officers.

The matter was demi-officially referred to the Financial Commissioner and Principal Secretary to Government of Haryana, Agriculture Department in June 2009; reply had not been received (August 2009).