CHAPTER I

PERFORMANCE AUDIT

Agriculture Department

1.1 Working of Haryana State Agricultural Marketing Board

Highlights

The Haryana State Agricultural Marketing Board was set up with the main objective of providing facilities for better regulation of purchase, sale, storage and processing of agricultural produce. A performance audit of the Board brought out deficiencies in preparation of budgets, gaps between production and arrival of produce in mandis, etc. Besides, cases of non-preparation of long-term Perspective Plan; non-fixation of annual physical targets; diversion of funds on activities not covered under the Punjab Agricultural Produce Markets Act; parking of funds in Savings Bank Accounts; inadequate facilities in mandis; unsold plots in mandis, etc. were also noticed. There were deficiencies in execution of works such as purchase of packed bitumen instead of bulk quantities, leading to extra expenditure; cases of wasteful expenditure; undue favour to contractors; delays in completion of works, etc. Farmers' welfare schemes such as the Farmers' Assistance scheme for post-harvest management, setting up of Agri-Business Information Centres, etc., although approved by the Board, were not implemented.

Against the budget provision of ₹ 1,733 crore for capital expenditure, an amount of ₹ 1,347.29 crore (78 *per cent*) was spent during 2005-10. Further, an amount of ₹ 6.38 crore was spent on items which did not fall within the purview of the Punjab Agricultural Produce Markets Act.

(Paragraphs 1.1.7.1 and 1.1.7.3)

There were wide gaps (25.52 to 31.62 *per cent*) between agricultural production and the arrival of produce in *mandis,* thereby increasing the risk of leakage of revenue.

(Paragraph 1.1.7.2)

Surplus funds were kept in savings bank accounts instead of in fixed deposits, which resulted in earning of less interest of ₹ 2.08 crore.

(Paragraph 1.1.7.4)

Adequate infrastructure facilities such as covered platforms, service roads, boundary walls, dormitories with toilets, mini towers, drinking water, lights, etc. were not provided in principal yards, sub-yards and purchase centres of 16 Market Committees (MCs) as required under the policy of the Board.

(Paragraph 1.1.8.1)

In five divisions, packed bitumen was purchased instead of bulk quantities, resulting in extra expenditure of ₹ 1.43 crore.

(Paragraph 1.1.9.3)

Execution of the work of widening and strengthening of the Rohtak-Jhajjar Road to village Sunarian without shifting water supply pipelines led to wasteful expenditure of ₹ 55.27 lakh.

(Paragraph 1.1.9.5)

Farmers' marketing assistance schemes for post-harvest management, though approved by the Board, were not implemented. Agri-Business Information Centres were set up in five districts against the target of 21 districts in the State as of July 2010.

(Paragraphs 1.1.10.2 and 1.1.10.3)

1.1.1 Introduction

The Haryana State Agricultural Marketing Board (Board) came into existence in August 1969 for supervising and controlling the Market Committees (MCs) in the State. The primary objective of the MCs is to provide facilities for better regulation of purchase, sale, storage and processing of agricultural produce in the State within the framework of the Punjab Agricultural Produce Markets (PAPM) Act 1961 and the Punjab Agricultural Produce Markets (General) Rules 1962, as adopted by Haryana. At present, 284 markets (*mandis*) comprising 106 principal yards and 178 sub-yards, besides 187 purchase centres (for seasonal sale/purchase) have been set up under the supervision of 106 MCs. The main activities of the Board are:

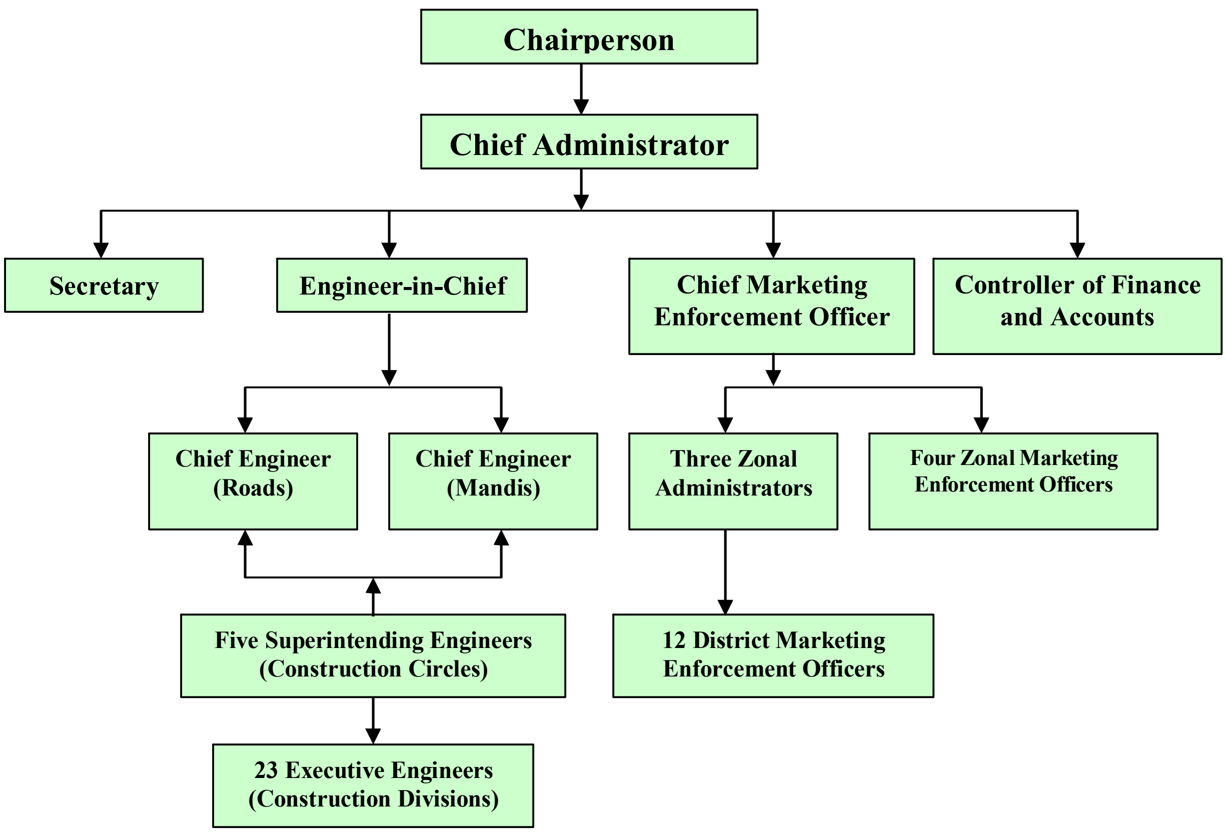
- creation of agricultural markets and facilitating auctions;
- shortening distances to the markets by constructing link roads and
- providing facilities and information to farmers for marketing their produce.

During the period 2005-06 to 2009-10, the Board constructed new rural link roads of 2,075 km length and established one sub-yard and 18 purchase centres besides repairing existing roads and providing additional facilities such as common platforms, covered sheds, tower lights, sewerage system, *sulabh shauchalayas*, etc. in the existing *mandis*.

1.1.2 Organisational set-up

The Financial Commissioner and Principal Secretary to Government of Haryana, Agriculture Department is the administrative head at the Government level. The Board is headed by a Chairperson and the Chief Administrator (CA) is the executive head and controlling officer. He is assisted by a Secretary, an Engineer-in-Chief (EIC), a Chief Marketing Enforcement Officer (CMEO) and a Controller of Finance and Accounts (CFA). The State has been divided into three zones headed by Zonal Administrators (ZAs) at Karnal, Gurgaon and Hisar. There are four Zonal Marketing Enforcement Officers (ZMEOs) at Hisar, Rohtak, Karnal and Gurgaon and 12[1] District Marketing Enforcement Officers (DMEOs). Each MC is governed by a nominated body headed by a Chairperson and has an Executive Officer-cum- Secretary and other supervisory staff.

The Board has a full-fledged construction wing headed by the EIC and assisted by two Chief Engineers (CEs). The State has been divided into five circles each headed by a SE. There are 18 Civil, two Electrical, one Mechanical and two Public Health Engineering Divisions headed by Executive Engineers (EEs). The organisational set up of the Board is depicted below:



[1] DMEOs, Ambala, Bhiwani, Faridabad, Gurgaon, Hisar, Jind, Karnal, Kurukshetra, Rewari, Rohtak, Sirsa and Sonipat.

1.1.3 Audit objectives

The main audit objectives were to ascertain whether:

- plans were prepared by the Board to carry out its operations efficiently and effectively;
- the financial management was efficient;
- the Board created basic infrastructure for facilitating agricultural marketing and the farmers were provided information about sale of their produce; and
- an effective and efficient internal control system existed in the Board.

1.1.4 Audit criteria

With a view to achieving the audit objectives, the following audit criteria were adopted:

- PAPM Act 1961 and Rules and bye-laws made thereunder.
- Targets/provisions made in the Annual Plans of the Board.
- Haryana State Agricultural Marketing Board (HSAMB) (Sale of immovable property) Rules 1997 and 2000 and Market Committees Investment and Disposal of Surplus Funds Rules 1981.
- HSAMB Accounts Manual.
- Decisions taken in meetings of the Board.

1.1.5 Scope of audit and methodology

Audit of the Board had been entrusted to the Comptroller and Auditor General of India (CAG) under Section 20 (1) of the CAG's (Duties, Powers and Conditions of service) Act, 1971. The Board had finalised its accounts upto 2008-09 and audit had also been conducted upto that period. All records relating to financial management, planning, execution of works, allotment of shops and recoveries of dues for the period 2005-10 were scrutinised. The office of the Chief Administrator of the Board located at Panchkula and six[2] out of 23 construction divisions along with 27[3] out of 106 MCs were selected using the Simple Random Sampling without Replacement (SRSWOR) method.

An entry conference was held in the January 2009 and an exit conference was held in July 2010 with the Chief Administrator of the Board wherein audit findings were discussed. Views of officers of the Board were kept in view while finalising the performance audit report.

---

[2] Faridabad, Gurgaon, Jind, Karnal, Rohtak and Sirsa.

[3] Ateli, Ballabgarh, Bapoli, Barwala (H), Bhattu Kalan, Bhuna, Ding, Ellenabad, Ganaur, Gohana, Gurgaon, Hodal, Indri, Ismailabad, Jhajjar, Kaithal, Kosli, Ladwa, Mohindergarh, Naneola, Narwana, Nilokheri, Panchkula, Raipur Rani, Sewan, Shahabad, and Tosham.

Audit findings

1.1.6 Planning

Long term Perspective Plan for developmental works was not prepared. Annual targets for each work were not fixed.

The Board is required to prepare a long-term Perspective Plan for the developmental works to be undertaken after taking into account the requirement of various facilities and availability of funds with the Board. Further, the targets are to be prepared annually so that facilities can be provided to farmers within a specific period. However, the Board did not prepare any long-term Perspective Plan and Annual Plans. The Board prepared annual budgets in which funds were earmarked for various developmental works, without indicating the number of works to be undertaken in various *mandis*. As such, targets in physical terms i.e. number of new road works, repair of old roads, number of sheds/platforms to be constructed, etc were not fixed. In the absence of physical targets, the achievements of various activities in physical terms could not be assessed in audit.

The CA of the Board stated (July 2010) that provisions for developmental works in the budget were being made on estimated basis for *mandi* works. Construction of link roads depended on the Government's instructions and Chief Minister's announcements from time to time. Hence, exact targets in terms of the number of new link roads could not be fixed. This showed that there was lack of planning in the Board for developmental works.

1.1.7 Financial management

The main source of income of the Board is 30 *per cent* share of the market fees realised by MCs under Section 23 of the PAPM Act. The MCs also deposit funds with the Board for execution of developmental works. The expenditure of the Board is mainly on salaries and travelling allowances of staff, contingencies, etc. The MCs maintain separate accounts and also prepare their income and expenditure accounts and balance sheets. The assets and liabilities of the MCs are not depicted in the accounts of the Board.

The Board had been earning excess of income over expenditure during the last four years as detailed below:

Table 1:Financial position of the Board

(₹ in crore)

Year	2005-06	2006-07	2007-08	2008-09
Total income	64.34	68.92	71.17	111.32
Total expenditure	47.31	53.86	63.74	87.71
Funds unutilised	17.03	15.06	7.43	23.61
Income from Interest	11.50	18.18	6.50	14.66

Source: Balance sheets of the Board.

It was observed from the scrutiny of balance sheets of the Board for the years 2005-09 that huge funds ranging between ₹ 20.69 crore and ₹ 112.98 crore deposited by MCs for execution of works remained unutilised with the Board at the end of each year during 2005-09. As shown above, excess of income over expenditure was due to interest earned on the funds deposited by MCs. The interest earned by the Board on this account amounted to ₹ 25.81 crore during 2005-09. As a result, the capital fund of the Board increased from ₹ 201.19 crore as on 31 March 2005 to ₹ 264.25 crore as on 31 March 2009.

1.1.7.1 Budget allotment vis-a-vis expenditure

The Board prepares annual budget estimates for revenue and capital expenditure including provisions for the works to be executed on behalf of MCs. The position of the budget estimates of revenue expenditure and capital expenditure and actual expenditure incurred thereagainst for the period 2005-10 is tabulated below:

Table 2: Budget provision and expenditure

(₹ in crore)

Year	Revenue				Capital			
	Budget allotment	Expenditure	Saving (-)/ Excess (+)	Percentage of saving/ excess	Budget allotment	Expenditure	Saving (-)/ Excess (+)	Percentage of saving/ excess
2005-06	67.95	48.85	(-) 19.10	28	133.80	79.16	(-) 54.64	41
2006-07	76.65	56.74	(-) 19.91	26	170.90	148.27	(-) 22.63	13
2007-08	98.51	62.90	(-) 35.61	36	319.55	216.46	(-) 103.09	32
2008-09	164.20	163.56	(-) 0.64	>1	504.00	491.36	(-) 12.64	3
2009-10	159.60	163.72	(+) 4.12	3	604.75	412.04	(-) 192.71	32
Total	**566.91**	**495.77**	**(-) 71.14**	**13**	**1,733.00**	**1,347.29**	(-) 385.71	**22**

Source: Data supplied by the Board

As seen from the above table, the savings under the Revenue section were 13 *per cent*, while the savings under the Capital section were 22 *per cent.* It was observed that the savings under the Capital section during 2005-10 were mainly due to partial execution of construction and development works of *mandis* against financial targets.

The Board executed deposit works valuing ₹ 316.52 crore during the review period but did not levy required departmental charges on these deposit works.

The CA of the Board stated (July 2010) that the policy for levying departmental charges was under consideration of the Board.

1.1.7.2 Budget estimates and receipts of Market Committee

The main source of income of MCs is market fees leviable under Section 23 of the PAPM Act. As per Section 27 of the Act, 30 *per cent* of the market fees of the MCs is remitted to the Board to meet its expenditure. The table below shows details of income of all MCs from 2005-06 to 2009-10.

Table 3: Budget estimates and income

(₹ in crore)

	2005-06	2006-07	2007-08	2008-09
Budget estimates	160.00	170.00	172.00	225.00
Actual receipts	171.82	166.63	228.27	300.33

Source: Data provided by the Board.

Estimates of market fees were to be prepared with reference to production of crops of the previous year. However, these were prepared on the basis of fees realized in previous years.

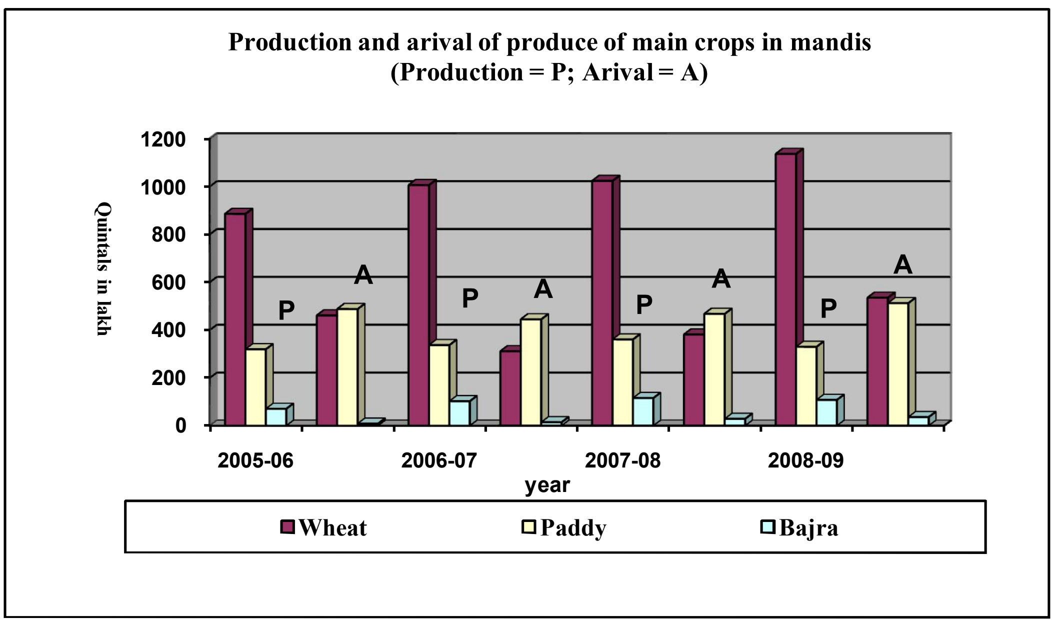
The Board, while approving the budget for the year 2005-06, decided that market fee realisation should be based on the production figures of major commodities as a measure to check evasion of market fees. Scrutiny of budget estimates of the Board as well as those of test-checked MCs, however, revealed that estimates of market fees were not prepared with reference to production of crops of the previous year. Instead, these were prepared on the basis of fees realised in the previous years. In the absence of realistic estimates of market fees, the performance of revenue realisation could not be assessed in audit.

It was further observed that there was a wide gap between agricultural production and the arrival of produce of main crops in the *mandis* as detailed below:

Table 4: Production and arrival of produce of main crops in *mandis*

(Quintals in lakh)

Name of produce	2005-06		2006-07		2007-08		2008-09	
	Production	Arrival	Production	Arrival	Production	Arrival	Production	Arrival
Wheat	885.30	460.93	1,005.50	311.16	1,023.20	381.08	1,136.00	534.94
Paddy	319.40	487.53	337.10	444.49	360.60	467.40	329.80	512.25
Bajra	70.60	8.61	102.40	14.49	115.60	28.71	107.90	36.15
Pulses	3.98	1.58	4.90	1.55	4.71	2.10	5.10	2.27
Barley	7.90	4.25	11.50	6.17	12.00	10.53	18.50	14.73
Grams	7.20	1.20	9.10	0.71	5.40	0.63	12.80	0.71
Total	**1,294.38**	**964.10**	**1,470.50**	**778.57**	**1,521.51**	**890.45**	**1,610.10**	**1,101.05**



Source: Statistical Abstract of the State Government and records of the Board.

There were wide gaps between agriculture production and arrival of produce in *mandis.*

As is evident from the above, the difference between production and arrival of agricultural produce increased from 25.52 *per cent* in 2005-06 to 31.62 *per cent* during 2008-09. The chances of leakage of revenue on account of market fees could not, therefore, be ruled out.

The CA of the Board stated (July 2010) that the shortfall in arrival of wheat was due to the fact that it was being diverted to the open market as the rates in the open market were higher than the Minimum Support Price (MSP) offered by the

Government. As the PAPM Act did not restrict any farmer from selling agriculture produce outside the State, the farmers were free to sell their agricultural produce anywhere within India. The reply of the Board was not based on any survey. As the variations between production and arrival of agricultural produce were significant, the Board should have examined the issue in depth and take corrective action to ensure realization of market fees of the entire quantity of agricultural produce for the concerned years. The Government may consider formulating strict rules to levy market fees on agriculture production in the State. During the exit conference, the CA of the Board agreed to conduct a survey to assess the reasons for shortfall in arrival of agricultural produce in *mandis*.

1.1.7.3 Expenditure not falling within the purview of PAPM Act

As per Section 28 of the PAPM Act, the revenue received by the MCs are to be expended on establishment and development of markets; providing facilities such as shelters, sheds, parking spaces and water for the people, cattle, vehicles and on construction and repair of approach roads (link roads), culverts, bridges and other such purposes.

An amount of ₹6.38 crore was spent on items which did not fall within the preview of PAPM Act.

The EE, HSAMB, Rohtak executed 17 works like construction of roads from bus stand to worship places and from villages to worship places at a cost of ₹ 1.27 crore which were beyond the purview of the PAPM Act. The EE stated (February 2010) that the works were taken up on the basis of administrative approvals of the competent authority. The fact remained that the administrative approvals were accorded by the CA for works which did not fall within the purview of PAPM Act.

Similarly, the Board released ₹ 5.11[4] crore (August 2009) to the Chief Minister's Relief Fund out of the Marketing Development Fund/Market Committee Funds. Such expenditure was not a legitimate charge to the Marketing Development Fund/Market Committee Fund and was against the spirit of provisions of the PAPM Act.

The CA of the Board stated (July 2010) that the expenditure was a fit charge from the funds of the Board under clause (xvii) of Section 28 of the PAPM Act. The reply was not acceptable as the prior sanction of the Government was required to be obtained for incurring expenditure on such activities but no such prior sanction was obtained.

1.1.7.4 Cash management

According to the HSAMB Accounts Manual, an MC is required to invest its surplus funds or any portion thereof in securities of the Central Government, a savings bank account or in open fixed deposit receipts (FDRs) of a post office, nationalised bank or the Haryana State/Central Co-operative Bank. Financial management of the funds on daily basis was the responsibility of the Secretaries of the concerned MCs, who were personally accountable for any losses on this account.

[4] Marketing Development fund ₹ 1.50 crore and Market Committee fund ₹ 3.61 crore.

Funds were kept in savings bank accounts instead of in FDRs which led to earning of less interest of ₹ 2.08 crore to MCs.

It was noticed that average monthly balances ranging between ₹ 8.99 lakh and ₹ 2.88 crore were kept by 14[5] out of 27 test-checked MCs in savings bank accounts instead of investing the same in FDRs. Keeping funds in savings bank accounts was imprudent as they could have been invested in FDRs earning higher rate of interest. Had these MCs invested the funds in FDRs, additional interest of ₹ 2.08 crore could have been earned on account of the difference in the rate of interest between that of the savings bank and FDRs for the period 2005-10.

The CA of the Board, during the exit conference, agreed (July 2010) and assured to take remedial measures in future.

1.1.7.5 Water and sewerage charges

Market Committees provide amenities like water supply and sewerage to shopkeepers in the grain markets. The Board issued (December 2006) instructions for levy of water and sewerage charges at fixed rates.

Three MCs did not levy water and sewerage charges on shop owners.

Three[6] out of 27 test-checked MCs did not levy water and sewerage charges on shop owners though facilities of water and sewerage were provided to them. Further, electricity bills of tubewells installed in the *mandis* were being paid out of MC funds. Details of water/sewerage connections provided to the shop owners were not maintained by these MCs.

The CA of the Board stated (July 2010) that the MCs would be directed to maintain proper accounts of water and sewerage connections and to recover charges for these services from the shopkeepers.

1.1.8 Functioning of *mandis*

The *mandis* were set up in the State to facilitate farmers in improving the marketing of their agricultural produce; collection and dissemination of market rates and news and providing facilities such as shelters, sheds, parking accommodation and drinking water, etc. for farmers in *mandis*. Scrutiny of the records of 27 *mandis* revealed the following deficiencies.

1.1.8.1 Infrastructural facilities in mandis

Infrastructural facilities in principal yards, sub-yards and purchase centres of 16 MCs were inadequate.

The Board, approved (June 2006) the provision of basic/additional facilities in each principal yard, sub-yard and purchase centre. Various infrastructural facilities like water supply and sewerage systems, weighbridges at entry points, covered platforms, internal service roads, rooms with coolers, canteens, *Sulabh Sauchalya*, etc. were required to be provided in each principal yard and sub-yard. Further, boundary walls, two dormitories with toilet facilities, one or two mini towers in addition to temporary lights, sufficient temporary arrangement for

[5] Ateli, Ballabgarh, Barwala (H), Bhuna, Ellenabad, Gohana, Gurgaon, Hodal, Ismailabad, Kaithal, Kosli, Ladwa, Mohindergarh and Shahbad.

[6] Bapoli, Ellenabad and Ismailabad.

drinking water and toilets under *Sulabh Sauchalya* were required to be provided in purchase centres. Scrutiny of records revealed that in the case of 16[7] test-checked MCs, these facilities were not provided in principal yards, sub-yards and purchase centres. The table below shows the number of MCs where various facilities not provided.

Table 5: Statement indicating facilities not available in mandis

(In numbers)

Facility	Principal Yards	Sub Yards	Purchase Centres
Boundary wall	3	6	12
Check post and gates	3	8	14
Common Auction platform	1	1	4
50 per cent covered platform	2	9	0
Weighbridge at entry point	13	12	0
Internal and service roads	0	1	0
Dormitory with toilet facilities	5	3	13
Light arrangement with tower	1	0	6
Drinking water facilities	3	9	10
Canteen	15	12	0
Provision for water supply and sewerage system	5	5	0
Provision for petrol/diesel pump	14	9	0

Source: Data supplied by mandis.

It was observed that the Board had neither identified the *mandis* with inadeuqate facilities nor had prepared any timeframe to provide these facilities in all the principal yards, sub-yards and purchase centres.

It was, thus, evident that the Board had failed to create basic infrastructure for facilitating agricultural marketing in the *mandis* as decided in its meeting in June 2006. As a result of this, the farmers were deprived of these facilities.

1.1.8.2 Conducting of non-agricultural business in the mandis

As per Rule 3 of the Haryana State Agricultural Marketing Board (Sale of Immovable Property) Rules 2000, an allottee of a shop plot under these Rules should not be permitted to use the premises for any purpose other than marketing of notified agricultural produce. In case of misuse of such premises, the allotment would be cancelled and 10 *per cent* of the value of the plot, interest and other dues paid would be forfeited. Such an allottee should be debarred from allotment of any other site under these Rules.

In Bhattu Kalan *mandi* business of iron pipes, building material, etc. was being conducted in 13 shops.

In Bhattu Kalan *mandi*, it was observed that contrary to this rule, business relating to iron pipes, bamboos, building material, etc. other than that of the agricultural produce was being conducted in 13 shops. The MC had issued notices to the concerned shopowners for stopping non-agricultural business but no action to cancel the allotments was initiated.

Similarly, 53 shop plots were carved out in the new vegetable and fruit market Gurgaon, of which only 38 shops had been sold upto March 2010. Out of these, 15 shopkeepers (39 *per cent*) were engaged in businesses other than agricultural

[7] Ateli, Bhuna, Ballabgarh, Gohana, Hodal, Ismailabad, Kaithal, Kosli, Ladwa, Mohindergarh, Naneola, Narwana, Nilokheri, Panchkula, Shahbad and Raipur Rani.

marketing in the premises which was not permissible under Rule 3 of the Haryana State Agricultural Marketing Board (Sale of Immovable Property) Rules 2000. The CA of the Board stated (July 2010) during the exit conference that the enforcement staff would be activated for this purpose.

1.1.8.3 Encroachment on mandi land

In Tosham *mandi*, nine plots were lying unsold for the last 20 years and seven plots auctioned in May 1991 were not utilised by the allottees upto March 2010. The Secretary of the MC stated (March 2010) that plots were not sold due to encroachments on some portions of the land covering these plots. The encroachments were facilitated due to non-construction of the boundary wall of the *mandi*. A case had been filed (March 2010) with the District Session Court, Bhiwani for removal of the encroachments which was pending as of August 2010.

Encroachment of land was noticed in three test-checked *mandis*.

Similarly, the work of re-construction of the boundary wall of the Gurgaon *mandi* allotted (March 2008) to a company could not be completed due to encroachment of land. An expenditure of ₹ 18.76 lakh incurred on the work remained unfruitful.

The construction work of development of a vegetable market and a retail market, Gurgaon allotted (January 2009) to a contractor for ₹ 21.07 crore was shelved (February 2009) due to encroachments on the common platform where it was to be developed. The expenditure of ₹ nine lakh incurred on this work was wasteful.

The CA of the Board, while admitting the facts, stated (July 2010) that the Board was seized of the problem of encroachment of *mandi* land and had issued instructions to MCs from time to time for not allowing anybody to encroach the same.

1.1.8.4 New Grain Market at Gurgaon

New Grain Market, Gurgaon was non-functional for last 20 years.

The New Grain Market (NGM), Gurgaon was established in 1976-77 and all the 119 plots were sold. Farmers were not using the NGM for marketing of foodgrain for more than 20 years as the Haryana Urban Development Authority, colonisers, etc. had purchased the agricultural land of nearby villages. Hence, it was not being utilised for agricultural marketing purposes. The New Vegetable and Fruit Market (NVFM) was set up (September 1995) on the land measuring 2.66 acres near NGM. As the area for NVFM was not sufficient for the present requirement, a proposal of converting the NGM after de-notification into NVFM was sent (April 2009) by MC, Gurgaon to the Board, but the Board had not taken any decision in the matter (July 2010). The CA of the Board stated (July 2010) that the proposal was under process.

1.1.8.5 Auction of mandi plots

As per the HSAMB Sale of Immovable Property Rules, 2000, the shop plots in all the markets developed by the MCs are disposed of by way of open auctions whereas plots to the old dealers are allotted on reserve prices fixed by the Board.

A total of 288 plots of various sizes valuing ₹ 35.32 crore of MC, Shahbad, Mohindergarh, Gohana and Indri had not been sold (March 2010) for the last three to 28 years. This resulted in blocking of funds to the tune of ₹ 35.32 crore.

In five *mandis,* 410 plots worth ₹ 36.53 crore remained unsold.

The Board developed two sub-yards at Garhi and Dhanauri under the jurisdiction of MC, Narwana (Jind) during 1982-83 at a cost of ₹ 1.56 crore and carved out 158 plots. Out of these, 122 plots were not sold for over 26 years, resulting in blocking of funds to the tune of ₹ 1.21 crore. It was observed that adequate efforts were not made to sell the plots as the last auction of plots took place for Garhi sub-yard in 1999 and for Dhanauri sub yard in 2001. The CA of the Board stated (July 2010) that the process for auction of plots was in hand and the remaining plots would be disposed of in the near future.

Land measuring 169 acres of Barwala (Hisar) *mandi* was lying vacant since 1981, when it was transferred by the colonisation department to the *mandi* for setting up the grain market. It was further observed that a proposal to utilise the land for development of the *mandi*, construction of godowns, development of a herbal park, transfer of land for construction of Government College and Tehsil office, etc. was sent (June 2009) by MC Barwala (Hisar) to the Board. However, the Board had not taken a decision in the matter (July 2010). The CA of the Board stated (July 2010) that a proposal for transferring the land for the Tehsil office building was under consideration but reasons as to why the land was not leased out were not given.

1.1.8.6 Non-recovery of outstanding instalments of plots

An amount of ₹ 15.12 crore on account of instalments, along with interest, was outstanding from 291 plot holders.

As per the terms and conditions of allotment, 25 *per cent* of the allotment price/bid cost of a plot is to be paid by the allottee at the time of bid and the balance 75 *per cent* is to be paid either without interest within 30 days from the date of issue of the allotment letter or in six half-yearly instalments with 15 *per cent* interest or at such rate of interest as may be specified from time to time by the Board. In the case of failure to deposit the instalments in time, penal interest at four *per cent* per annum to be compounded half-yearly, is to be charged in addition to the normal interest. In the case of default of two successive instalments, the plot including building, if constructed, is to be resumed by the MC after providing the allottee an opportunity of being heard.

It was noticed that a total amount of ₹ 15.12 crore from 291 plot holders on account of instalments along with interest, was outstanding for a period from one to 10 years in 10[8] out of 27 test-checked MCs. Action to resume the plots was not initiated by the concerned MCs.

The CA of the Board stated (July 2010) that the resumption proceedings would be initiated in the cases of old allotments.

1.1.8.7 Maintenance of immovable property registers

Under the provisions contained in Para 9.1 of the HSAMB Accounts Manual, the Board/Committee are required to maintain a register indicating the details of all the immovable property of the Board/MC vested in or owned or leased by the Board/MC. The Board/MC should periodically and not less than once a year, cause the register of immovable property to certify that the records are correct.

8 Ateli, Ellenabad, Gohana, Indri, Ismailabad, Kosli, Narwana, Panchkula, Mohindergarh and Shahabad.

Immovable property registers were not maintained as per codal provisions.

Scrutiny of the records of MCs test-checked revealed that immovable property registers were not maintained as per codal provisions. Thus, the system of examination of property registers was not followed. Details of assets like offices, rest houses, *mandi* development works, sub-yards and covered sheds as depicted in the balance sheets were not available with the respective MCs.

The CA of the Board, while admitting (July 2010) the facts, stated that the requisite registers would be completed in due course.

1.1.9 Execution of works

The Board follows the State Public Works Department (PWD) code along with relevant financial rules and manuals. An analysis of the works executed by the Board on behalf of MCs brought out cases of execution of works without technical sanction, delays in completion of works, non-levy of compensation on contractors, wasteful expenditure, etc. as discussed in the following paragraphs.

1.1.9.1 Delay in completion of works

The timeframe prescribed for completion of any work is the essence of a contract. Contractors are required to adhere strictly to the time schedule.

During audit, it was noticed in six test-checked divisions that out of 201 works taken up during 2005-10, only six works were completed within the scheduled time. The delays for completion of works ranged from one to 71 months. The concerned EEs and SEs allowed extension of time usually on the ground of non-availability of labour, winter season, non-removal of encroachments on some portion of land, change in scope of work, shortage of material and personal problems of contractors. Instances were also noticed where the competent authorities granted time extensions without any valid reasons.

Liquidated damages amounting to ₹ 10.31 crore for delays in works were not recovered from the contractors.

Reasons like non-availability of labour, winter season, etc. were, however, foreseeable and could have been taken into account by the contractors at the time of entering into agreements with the Board. As regards land encroachment and shortage of material, the divisions should have taken timely steps before awarding the works. Liquidated damages for delays in works amounting to ₹ 10.31 crore were to be recovered from the contractors. The delays in completion of works resulted in corresponding delays in providing smooth flow of traffic facilities to the farmers while non-levy of liquidated damages resulted in grant of undue favour to contractors and losses to the Board.

1.1.9.2 Execution of works without technical sanctions

Forty three *per cent* works were started without technical sanctions.

Para 2.89 of the PWD code provides that before the commencement of works, detailed cost estimates should be technically sanctioned by the competent authorities after satisfying themselves that the proposals are structurally sound and the estimates are correct. In the test-checked divisions, out of 536 works, technical sanctions were obtained in respect of only 307 works during 2005-10.

Technical sanctions in respect of 229 works involving expenditure of ₹ 120.07 crore were pending (March 2010). Thus, these works were taken up by the EEs without ensuring soundness of the structures with reference to the required specifications and correctness of estimates. Further, the Accounts Branch passed the bills for payment without technical sanctions. Thus, Audit could not verify whether the works had been completed and paid for as per technical sanctions.

The CA of the Board while admitting the fact stated (July 2010) that due to shortage of technical staff in the field offices, the technical sanctions and the detailed estimates could not be prepared in all the cases.

1.1.9.3 Purchase of packed bitumen

Purchase of packed instead of bulk bitumen resulted in extra expenditure of ₹ 1.43 crore.

Rule 15.2 of the Punjab Financial Rules as adopted by Haryana and the Board, provides that all purchases should be made in the most economical manner.

The EEs of five[9] divisions purchased 5,630 metric tonnes (MT) of packed bitumen at rates which were higher than the rates of bulk bitumen, though there was no difference in quality. It was observed that the financial impact of the difference of rates between packed and bulk bitumen was not analysed by any of these divisions. This resulted in extra expenditure of ₹ 1.43 crore[10].

The CA of the Board stated (July 2010) during the exit conference that packed bitumen was procured generally for patch works. However, efforts would be made to minimise the purchase of packed bitumen.

1.1.9.4 Undue favour to contractor

Penalty amounting to ₹ 1.78 lakh for delay in execution of works was not levied.

The work of construction of a covered shed of 18 metre span in the New Grain Market, Kharian was allotted (July 2005) to a contractor by the EE, HSAMB Division, Sirsa for ₹ 17.84 lakh with a time limit of five months. Work valuing ₹ 2.86 lakh was executed and payment was made (July 2007) to the contractor but thereafter, the contractor left the work midway. Neither was any action to execute the balance work at risk and cost of the contractor under clause III of the agreement initiated nor was penalty of ₹ 1.78 lakh recovered while making payment of the contractor bill in July 2007, although it had been imposed in November 2005 and subsequently deferred by SE upto March 2007. The work had not been completed (March 2010). Thus undue favour was extended to the contractor.

The EE stated (December 2009) that the work of construction of the covered shed was not got completed because as per instructions of CA issued in April 2009, the facility of construction of a shed was to be provided after two years of start of the business in the *mandis*. The reply is not convincing as business in the *mandi* was

---

9 Faridabad, Gurgaon, Jind, Karnal and Rohtak.

10 Faridabad: ₹ 15.92 lakh; Gurgaon: ₹ 36.13 lakh; Jind: ₹ 45.84 lakh, Karnal: ₹ 26.52 lakh and Rohtak: ₹ 19.07 lakh.

being conducted for the last seven years and the work should have been completed as per the agreement.

Similarly, the work of 'Special repair of three HSAMB roads in Mewat District i.e.' (i) Alwalpur to Sikrawa (ii) Pinangwan to Jhimrwal and (iii) Rehana to Basai' was allotted (February 2006) to a contractor with a time limit of six months. During scrutiny of records of EE, HSAM Board, Gurgaon, it was seen that these works were incomplete as of March 2010 and no action was taken to impose penalty for delays in completion of works or to get the works executed at the risk and cost of the contractor under clauses II and III of the contract agreements. With the time overrun, the cost of bitumen increased from ₹ 15000 per MT to ₹ 32000 per MT, resulting in extra expenditure on purchase of bitumen to the tune of ₹ 35.55 lakh. The EE stated (February 2010) that penalty for delays in completion of works under clause II of the agreement was levied against the contractor but the SE deferred the penalty thrice in the interest of work.

1.1.9.5 Expenditure on widening and strengthening of road

Execution of roadwork without shifting the water supply pipelines resulted in wasteful expenditure of ₹ 55.27 lakh.

The work of widening and strengthening of the link road from Rohtak-Jhajjar Road to Village Sunarian was allotted (April 2006) to a contractor with an agreement amount of ₹ 68.84 lakh. The SE, HSAMB intimated (June 2006) SE, Public Health that his department had laid a water supply pipeline along this road at the left side towards Jhajjar road to Sunarian which would come under the metalled portion of the road. As this pipeline was laid about 1.5 to two feet deep from the existing surface of the road, the pipeline would not sustain the load of heavy vehicles passing through the road. The EE, PH division, Rohtak was requested (June 2006) to shift the pipeline coming under the metalled portion of the road but the same was not shifted by the PH division. However, EE, HSAMB ignored the current instructions and continued to get the work executed from the contractor which was completed in January 2007. During inspection (September 2007) of the work, the condition of the road was not found to be up to the mark especially the stretch from RD 1,150 to 1,800 was in poor condition. Further, the soil used on the work was not as per the specifications since the CBR[11] value of the soil was very low. This was not only uneconomical but also unsafe as reported by the Civil Engineering Department of NIT, Kurukshetra. Since the condition of the road was poor, the expenditure of ₹ 55.27 lakh incurred on the work was rendered wasteful.

The CA of the Board stated (July 2010) that efforts were made to get the water supply pipeline shifted but the Public Health Department did not shift it. The work was executed on priority basis at the request of District Administration without shifting the pipeline.

Lack of co-ordination resulted in wasteful expenditure of ₹ 31.53 lakh.

1.1.9.6 Lack of co-ordination

The work of widening and strengthening of the road from the New Vegetable market, Jind to Safidon Jind road (near J.D. No. 7) was allotted (November 2007) by EE, HSAM Board, Jind to a contractor. The contractor completed items of earthwork and

11 California Bearing Ratio: Penetration test meant for the evaluation of subgrade strength of roads and pavements.

metalling in September 2008 after incurring an expenditure of ₹ 31.53 lakh without premix carpeting. In the meantime, the Water Supply and Sanitation Division, Jind started (September 2008) laying a deep sewerline and the road got badly damaged. The contractual agency refused to execute the balance work as the already constructed work was damaged beyond repair and required construction afresh. Thus, due to lack of planning and co-ordination between the Board and Public Health Engineering Department, expenditure of ₹ 31.53 lakh incurred on earthwork and metalwork was rendered wasteful.

1.1.10 Schemes for providing facilities and information to farmers

To provide post-harvest management infrastructure to farmers to shift foodgrain/agricultural produce from the farm level to markets, loan facilities, advisory services for agricultural development to farmers', etc. the Board formulated various schemes, the performance of which is discussed below:

1.1.10.1 Financial Pledged Agricultural Produce Storage Scheme

Financial Pledged Agricultural Produce Storage Scheme was not implemented.

During the peak harvesting season, farmers have to sell their agricultural produce at the prevailing market price/Minimum Support Price (MSP) which is not always considered remunerative by farmers. Some of the farmers want to keep stocks of agricultural produce with them so that they fetch a higher price at a later stage. In order to safeguard the interest of the farming community, the Board decided (March 2007) to introduce the 'Financial Pledged Agricultural Produce Storage Scheme'. Loans were to be arranged through banks on security receipts of storage of agricultural produce from the godowns. However, the scheme was not implemented. The CA of the Board, while admitting the facts, stated (August 2010) that the scheme could not be implemented due to administrative reasons.

1.1.10.2 Farmers Marketing Assistance Schemes

Farmers' Marketing Assistance schemes in respect of post-harvest management were not implemented.

To provide post-harvest management infrastructure to farmers to shift foodgrain/agricultural produce from the farm level to the markets, the Board approved (March 2007) Farmers' Marketing Assistance Schemes such as (i). creation of master trainers for post-harvest management (ii) providing financial support for packaging material/equipment and (iii) providing financial assistance for specialized transport facilities on transportation of highly perishable crops. It was, however, observed that the Board had not taken any step to implement these schemes. The CA of the Board, while admitting the facts, stated (August 2010) that the schemes could not be implemented due to administrative reasons and these had been kept in abeyance.

1.1.10.3 Agri-Business Information Centres

Agri-Business information centres were set up in two districts against the target of 21 districts by March 2008.

With a view to creating additional opportunities of marketing for the farmers and providing post-harvest technology and advisory services to the farmers, the Board decided (March 2006) to set up Agri-Business Information Centres (ABIC) in each district by the end of March 2008. However, the Board could set up (March 2010) these centres only in two districts (Hisar and Sirsa) out of the 21 districts in the State. The CA of the Board stated (July 2010) that the project had been taken up in phased manner and that ABIC buildings at Ambala, Karnal and Rohtak had also been completed.

1.1.11 Manpower management

1.1.11.1 Shortage of staff

The main function of the Board is to supervise and control the MCs in the State. It has a construction wing, enforcement staff, Executive officers cum Secretaries and field staff in all cadres from Classes I to IV. The field staff members are responsible for providing facilities for better regulation of purchase, sale, storage and processing of agricultural produce in the State. Any shortage of staff adversely affects the working of the Board. However, there was shortage of staff in various categories as per details given below:

There was shortage of staff between 22 to 24 *per cent*.

Table 6: Statement showing shortage of staff

Year	Category	Sanctioned strength	Persons-in-position	Shortage	Percentage of shortage
December 2007	Class-I	134	128	6	4
	Class-II	169	127	42	25
	Class-III	2855	2221	634	22
	Class-IV	375	289	86	23
Total		**3533**	**2765**	**768**	**22**
December 2008	Class-I	139	122	17	12
	Class-II	170	115	55	32
	Class-III	2861	2104	757	26
	Class-IV	290	285	5	2
Total		**3460**	**2626**	**834**	**24**
December 2009	Class-I	175	129	46	26
	Class-II	187	103	84	45
	Class-III	2885	2282	603	21
	Class-IV	320	282	38	12
Total		**3567**	**2796**	**771**	**22**

Source: Data obtained from department.

As evident from the above table, there was shortage of staff ranging between 22 and 24 *per cent* during 2007 to 2009. The shortage was significant (45 *per cent*) in respect of Class II posts at the end of December 2009.

1.1.12 Internal control and internal audit

1.1.12.1 Internal control

Internal control provides reasonable assurance to the Management about the compliance of applicable rules and regulations. It was observed that a proper internal control system was lacking in the Board in respect of various aspects as discussed earlier in paragraphs 1.1.8.2, 1.1.8.3 and 1.1.8.5. Further, the internal control was weak with regard to the working of enforcement staff and comparison of sale/purchase returns relating to agricultural produce as discussed below:

- **Surprise checks by enforcement staff**

The Board did not fix targets for enforcement staff.

The Board had enforcement staff i.e. one Chief Marketing Enforcement Officer, three Zonal Administrators, four Zonal Marketing Enforcement Officers and 12 District Marketing Enforcement Officers to prevent theft/evasion of market fees. The Board did not fix any periodicity of surprise checking or targets for each enforcement staff member.

It was observed that the enforcement staff conducted 525[12] to 2,567[12] surprise checks per year during 2005-10. The average number of surprise checks per enforcement staff per year worked out between 26 and 128 only during 2005-10.

The CA of the Board stated (July 2010) that targets of checking would be fixed for each enforcement staff member in future.

- **Non-comparison of sale/purchase returns**

As per the PAPM (General) Rules 1962, as soon as the auction for foodgrain lots is over, the auctioneer has to fill the particulars in a book to be maintained in Form 'H'. Every licensed grain dealer is to submit to the MC, a return in Form 'M' showing each transaction of purchases and sales of agricultural produce within seven days of the day of transaction. These 'M' returns are required to be entered in a Register 'N' which shows the totals of purchases and sales made by the dealer. The *Mandi* Supervisors (MSs) were to complete the comparison of N and H Registers. However, in nine[13] out of test-checked MCs, the MSs did not carry out any comparison of the above returns. In the absence of this, the possibility of evasion of market fees could not be ruled out.

The CA of the Board while admitting the facts stated (July 2010) that appropriate action would be taken to complete the comparison of the returns.

1.1.12.2 Inadequate internal audit

The HSAMB Accounts Manual stipulated that internal audit of all construction divisions and MCs having income below ₹ 50 lakh was to be conducted annually

[12] 2005-06: 1796; 2006-07: 2,567; 2007-08: 846; 2008-09: 525 and 2009-10: 1,324.

[13] Ateli, Ballabgarh, Bhuna, Gohana, Hodal, Ismailabad, Kosli, Mohindergarh and. Shahbad.

and audit of the remaining committees having income above ₹ 50 lakh was to be conducted half-yearly by the internal audit parties of the Board. The Board did not conduct internal audit of units at regular intervals and a large number of units remained unaudited as detailed below:

The Board did not conduct internal audit of units regularly.

Table 7: Number of unaudited units and internal audit conducted

Period of audit	Number of units to be audited	Number of units audited	Pending for internal audit	Percentage of units unaudited
2004-05	129	10	119	92
2005-06	129	14	115	89
2006-07	129	16	113	88
2007-08	129	17	112	87
2008-09	129	13	116	90
2009-10	129	8	121	94

Source: Data provided by the Board.

It was observed that against the sanctioned strength of 31 posts, two to five officers/official were posted for internal audit during 2005-10.

The CA of the Board, while admitting the facts, stated (July 2010) that audit planning had been framed to cover all the units by the year 2011-12.

1.1.13 Conclusion

The objectives of the Board were achieved on some aspects such as construction of new rural link roads, repairs of existing roads, development of one new sub-yard and 18 purchase centres, providing of additional facilities i.e. construction of common platforms, covered sheds, tower lights, *sulabh shauchalayas* in the existing *mandis,* etc. However, estimates of receipts were not prepared on the basis of agricultural production. Wide gaps between agriculture production and arrival of produce in *mandis* left much scope for increasing revenue realisation. Further, the working of the Board was marred by deficiencies such as non-preparation of Perspective Plan, non-fixation of annual physical targets, keeping of huge funds in savings bank accounts, spending of funds on activities not covered under the PAPM Act, inadequate facilities in *mandis,* etc. Delays in execution of works, wasteful expenditure, undue favour to contractors, etc. indicated the deficiencies in execution of works. Further, schemes such as the Financial Pledged Agricultural Produce Storage Scheme, Farmers Marketing Assistance Scheme for providing training for post-harvest management, providing financial assistance for packing material/equipments and specialised transport facilities, etc, though introduced by the Board, were not implemented.

1.1.14 Recommendations

- The Board should prepare a long-term Perspective Plan, clearly indicating the annual physical targets under various activities.
- The budget estimates of receipts should be prepared on the basis of agriculture

production and the enforcement machinery should be geared up to reduce the gap between agriculture production and arrival of produce in *mandis*.

- The Board should evolve a proper system to ensure that farmers' welfare schemes, introduced by the Board, are implemented properly.
- Internal control system of the Board should be strengthened.

These points were demi-officially referred to the Financial Commissioner and Principal Secretary to Government of Haryana, Agriculture Department in May 2010. Reply had not been received (August 2010).

Women and Child Development Department

1.2 Integrated Child Development Services Scheme

Highlights

The Integrated Child Development Services (ICDS), a Centrally sponsored scheme, was launched in 1975-76 with the main objective of improving the nutritional standard and health status of children in the age group of zero to six years and to enhance the capability of mothers to look after the health of their children. Performance audit of the scheme brought out deficiencies in its implementation. Coverage of children and women beneficiaries under various components of the scheme was inadequate. About 44 per cent of the children in the age group of zero to six years were malnourished at the end of 2009-10. Huge funds were drawn in advance of requirement and were kept in bank accounts. About one-fifth of the targeted Anganwadi buildings were not constructed despite availability of funds. Facilities such as drinking water and toilets were not available in 73 and 57 per cent Anganwadi Centres respectively. Non-testing of food to check adequate micronutrients, non-maintenance of records of referral services, etc. also indicated deficient implementation of the scheme.

Funds amounting to ₹ 10.62 crore were drawn in advance of requirement, of which ₹ 4.54 crore remained unspent for 12 to 24 months of their drawal.

(Paragraph 1.2.7.3)

Coverage of beneficiaries under ICDS increased by only two *per cent*, despite increase of 29 *per cent* in Anganwadi Centres during 2005-10.

(Paragraph 1.2.8.1)

Against the target of constructing 1,179 Anganwadi buildings, only 965 buildings were constructed during 2005-10. Funds amounting to ₹ 7.10 crore remained unspent.

(Paragraph 1.2.8.2)

Out of 17,444 Anganwadi Centres, drinking water facilities in 12,760 Anganwadi Centres and toilet facilities in 9,922 Anganwadi Centres were not available.

(Paragraph 1.2.8.3)

Shortfall in the coverage of children under the Supplementary Nutritional Programme ranged between 46 and 57 *per cent* while in the case of mothers, it was between 25 and 30 *per cent.*

(Paragraph 1.2.9.1)

Achievement of targets for enrolment of children for non-formal pre-school education declined from 84 to 58 *per cent* during 2005-10.

(Paragraph 1.2.12.1)

There were shortfalls between 13 and 23 *per cent* in the achievement of targets for imparting training to staff.

(Paragraph 1.2.14.2)

1.2.1 Introduction

The Integrated Child Development Services (ICDS) scheme, a Centrally sponsored scheme, was started in 1975-76. The objectives of the scheme were:

- to improve the nutritional standard and health status of children in the age group of zero to six years;
- to reduce the incidence of mortality, morbidity, malnutrition and school dropouts among children;
- to achieve effective co-ordination and policy implementation amongst the various concerned departments and
- to promote child development and enhance the capability of the mother to look after the normal health and nutritional needs of the child.

These objectives were to be achieved with a package of services such as supplementary nutrition, immunization, health check-ups and referral services, non-formal pre-school education to children between three and six years of age and nutrition and health education to all women in the age group of 15-45 years. The scheme was implemented in 137 ICDS projects through 17,444 Anganwadi Centres (AWCs) as of March 2010. Though the scheme was being implemented for the last 35 years, about 44 *per cent* children were malnourished at the end of March 2010.

1.2.2 Organisational set up

The Financial Commissioner and Principal Secretary to the Government of Haryana, Women and Child Development Department is the administrative head at the Government level. The Director, Women and Child Development is the overall in-charge for administration, co-ordination, implementation and monitoring of the scheme and is assisted by a Joint Director, a Chief Accounts Officer, a Deputy Director at the Directorate level, Programme Officers (POs) at the district level and Child Development and Project Officers (CDPOs) at the block level. The ICDS package of services is delivered through AWCs set up in every village or ward of urban slum areas by Anganwadi Workers (AWWs).

1.2.3 Audit Objectives

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

- the planning for the implementation of the scheme was adequate for achievement of its objectives;
- adequate funds were provided by the Central/State Governments and were utilised for the intended purposes;
- adequate facilities were provided in each Anganwadi Centre;
- the prescribed procurement procedure was adopted and various components of the scheme were implemented economically and effectively and as per the prescribed guidelines and
- implementation of the scheme was effectively monitored and periodically evaluated to ensure improvement in the nutritional and health standards of children.

1.2.4 Audit criteria

The audit findings were benchmarked against the following criteria:

- Scheme guidelines.
- Norms for identification of beneficiaries.
- The prescribed procurement procedure and quality assurance norms of food.
- Punjab Financial Rules as adopted by the Haryana and
- The prescribed monitoring mechanism.

1.2.5 Audit methodology and coverage

The methodology adopted was to test check records with reference to provisions of the guidelines of the scheme, the Punjab Financial Rules and Government orders and instructions. The sample for audit covered records relating to budget, expenditure, manpower policies, inventory control and various registers required to be maintained under the guidelines of the scheme. Records relating to implementation of the scheme for the period 2005-10 were test-checked between January and April 2010 in the Directorate of Women and Child Development. Five[14] out of 20 districts along with three[15] blocks under each district (15 blocks) and three AWCs under each block. Districts were selected by using the probability

14 Faridabad, Hisar, Jind, Kaithal and Sonipat.

15 Faridabad (NIT), Faridabad (Rural), Ballabgarh (Urban), Hisar (Urban), Hisar I, Narnaund, Jind (Urban), Jind (Rural), Alewa, Kaithal (Urban), Kaithal (Rural), Pundri, Sonipat (Urban), Sonipat (Rural) and Kathura.

proportionate to size sampling (PPS) method. The number of beneficiaries were also kept in view while selecting the districts.

An entry conference was held in January 2010 with the Director, Women and Child Development Department in which important issues regarding implementation of the scheme, audit objectives and audit criteria were discussed. A meeting was held with the Director in July 2010 in which all the audit findings were discussed. An exit conference was held in November 2010 with the Financial Commissioner and Principal Secretary to Government of Haryana, Women and Child Development Department. The views of the department were taken into consideration while finalising the performance audit report.

Audit findings

1.2.6. Planning

Proper planning and survey of beneficiaries are imperative for achieving the objectives of programmes/schemes. It was observed that surveys of children within the age group of zero to six years and lactating and pregnant mothers were carried out by AWWs regularly but surveys to identify all the women in the age group of 15-45 years to educate them about the importance of nutrition and healthcare, as envisaged in the scheme, were not conducted.

The services under the ICDS package are delivered through AWCs set up at the village level and wards of urban slums. Infrastructure like buildings for AWCs along with facilities of drinking water, toilets, tables and chairs, toys, etc. were to be created for efficient and smooth delivery of quality services. A long-term Perspective Plan was essential so that the envisaged facilities were provided within a specific timeframe. It was, however, noticed that though the scheme was being implemented in the State from 1975-76, the department had not prepared any Perspective Plan for providing these facilities in the centres. Due to lack of planning, a large number of AWCs were deficient of various facilities as discussed later in paragraph 1.2.8.3.

1.2.7 Financial management

1.2.7.1 Funding pattern

Except for the cost of supplementary nutrition[16], the Government of India (GOI) provided *cent per cent* funds for implementation of the scheme upto 2008-09. The expenditure on administration from the year 2009-10 was to be borne by the

16 Additional nutritive diet containing 500 calories and 20 to 25 gram protein to pregnant/nursing mother and 300 calories and 8 to 10 gram protein to zero to six years old children.

Centre and State Government in the ratio of 90:10. From 2005-06, GOI also extended assistance for supplementary nutrition at the rate of half of the financial norms laid down for various categories of beneficiaries or 50 *per cent* of the actual expenditure on supplementary nutrition, whichever was less. In addition to this, out of eight State Plan schemes viz. providing best mothers' awards, arranging sports meets for women, constitution of village level committees, *sakshar mahila samooh*[17], granting of nutrition awards and awards for improving the declining sex ratio, providing swings to Anganwadi Centres implemented under ICDS, a specific scheme to curb anaemia amongst children of zero to six years and pregnant/lactating mothers was also funded by GOI.

1.2.7.2 Budget provision and expenditure

The budget provisions and expenditure during 2005-10 were as under:

Table 1: Budget provisions and expenditure under ICDS

(₹ in crore)

Year	Budget estimates		Revised estimates		Expenditure		Excess (+)/ savings (-)	
	Central Plan	State Plan/ Non-Plan	Central Plan	State Plan/ Non-Plan	Central Plan	State Plan/ Non-Plan	Central Plan	State Plan/ Non-Plan
2005-06	51.96	5.16	54.17	5.04	54.17	5.04	-	-
2006-07	60.62	8.24	59.79	9.04	59.79	9.04	-	-
2007-08	67.00	24.86	65.17	28.24	65.17	28.24	-	-
2008-09	71.00	37.31	87.98	31.10	87.98	32.17	-	(+) 1.07
2009-10	138.53	43.56	112.94	64.65	108.13	64.65	(-) 4.81	-

Note: Figures for the year 2009-10 are provisional.
Source: Detailed Appropriation Accounts.

Table 2: Budget provisions and expenditure under Supplementary Nutrition Programme (Central/State Plan Schemes funding on sharing basis)

(₹ in crore)

Year	Budget estimates	Revised estimates	Expenditure	Excess (+)/ savings (-)
2005-06	64.89	40.46	40.46	-
2006-07	57.57	68.11	72.74	(+) 4.63
2007-08	139.63	136.03	136.90	(+) 0.87
2008-09	144.02	117.24	117.24	-
2009-10	181.00	145.71	145.71	-

Note: Figures for the year 2009-10 are provisional.
Source: Detailed Appropriation Accounts.

Budget estimates of the Supplementary Nutrition Programme were not prepared on a realistic basis.

The Director stated (July 2010) that the surrender of funds under Supplementary Nutrition Programme during 2005-06 was due to the availability of ready-to-eat food at lower rates than the rates fixed by GOI. Excess expenditure in 2006-07 was attributed to upward revision of nutritional norms while the savings in 2008-09 and 2009-10 were reportedly due to less attendance of beneficiaries and diversion of funds towards the Old Age Pension Scheme of the State by the Finance Department.

1.2.7.3 Parking of funds

The following table depicts the funds drawn in advance of requirements from the

[17] Group of literate women.

treasuries for various purposes, the amounts utilised/deposited back in treasuries and unspent balances:

Table 3: Details showing parking of funds

Month of drawal	Purpose	Amount drawn (₹ in lakh)	Month of expenditure/ deposit into treasury	Amount of expenditure/ amounts deposited into treasury (₹ in lakh)	Balance (₹ in lakh)
March 2006	Purchase of furniture and durries for AWCs	143.92	May 2007 June 2007 January 2008 March 2008 January 2008 April 2008	53.49 43.07 34.68 6.31 2.18* 4.19*	Nil
March 2007	Purchase of registers for AWCs	25.85	May 2008	24.13	1.72
March 2008	Printing / binding of pre-school education Kits	86.59	July 2008 August 2009	43.00 34.56	9.03
March 2009	Printing of folders	29.40	November 2009 February 2010	21.76 7.64*	Nil
March 2009	Purchase of medicines	776.33	October 2009 March 2010 March 2010	70.02 111.19 152.30	442.82[18]
		1062.09		**608.52**	**453.57**

*** indicates the amount deposited back in treasuries.**
Source: Records of the department.

Funds amounting to ₹ 10.62 crore were drawn in advance of requirement, of which ₹ 4.54 crore remained unspent for 12 to 24 months after their drawal.

From the above table, it is evident that out of ₹ 10.62 crore drawn from the treasuries, ₹ 6.08 crore was utilized/deposited back in the treasuries after eight to 25 months. The balances amounting to ₹ 4.54 crore were lying with the department as of March 2010 in the form of bank drafts and fixed deposit receipts outside the Government account for 12 to 24 months from the time of their drawal from the treasuries, which was irregular. The Finance Department also clarified (March 2009) that drawing of funds in anticipation of requirements and parking unutilised funds outside Government account was against State Financial Rules.

During the exit conference, the Director, while admitting the facts, stated that the funds were drawn to avoid lapse of the budget grants and assured that this practice would not be repeated in future.

1.2.8 Implementation of scheme

1.2.8.1 Establishment of Anganwadi Centres

Anganwadi Centres (AWCs) are the focal point for delivering the package of services under ICDS to the children and mothers at their doorsteps. AWCs were

[18] Interest of ₹ 23.86 lakh was earned on this amount.

to be set up in every village with a population of 500-1500 (revised to 400 or more from November 2008).

The table below details the number of ICDS projects, AWCs sanctioned, and coverage of population (eligible children and pregnant and lactating mothers) during 2005-10:

Table 4: Number of Anganwadi Centres and coverage of population

(Population in lakh)

Year	Number of ICDS projects	Number of AWCs	Population (Children and mothers)		Population not covered (*per cent*)
			To be covered (Targets)	Actually covered (Achievement)	
2005-06	116	13,546	22.56	11.93	10.63 (47)
2006-07	128	16,359	24.66	14.06	10.60 (43)
2007-08	137	17,444	25.67	13.38	12.29 (48)
2008-09	137	17,444	25.83	13.00	12.83 (50)
2009-10	137	17,444	25.90	12.21	13.69 (53)

Source: Progress report of the department.

Although AWCs increased by 29 *per cent*, increase in coverage of population was two *per cent*..

Although there was an increase from 13,546 to 17,444 i.e., 29 *per cent* in the number of AWCs during 2005-10, the increase in coverage of population was only two *per cent* (from 11.93 lakh to 12.21 lakh) by the end of March 2010.

The Director stated (July 2010) that the monitoring mechanism had been strengthened to ensure participation of community members and stakeholders, for which all the Deputy Commissioners of districts had been asked to monitor the implementation of ICDS scheme at the grassroot level to increase the attendance of beneficiaries in AWCs.

Further, as per the guidelines, an AWC was to be considered operational when both the Anganwadi Worker (AWW) and the Anganwadi Helper (AWH) were in position in the AWCs and the services of SNP and pre-school education were delivered for 300 days in a year. It was observed that services of SNP and pre-school education were delivered for 300 days during the years 2005-06 to 2009-10 but both the AWW and the AWH were not in position in all the AWCs during the period. The AWCs not having both AWW and AWH were also shown as operational by the department as depicted in the table below:

Table 5: Number of AWCs shown operational not conforming to norms

Year	Number of AWWs in position	Number of AWHs in position	Number of AWCs required to be shown as operational	Number of AWCs shown as operational	Number of AWCs shown as operational but not conforming to norms
2005-06	13,427	13,484	13,427	13,546	119
2006-07	16,234	16,249	16,234	16,359	125
2007-08	17,149	17,020	17,020	17,444	424
2008-09	17,276	17,116	17,116	17,444	328
2009-10	17,271	17,060	17,060	17,444	384

Source: Data supplied by the department.

Thus, 119 to 424 (one to two *per cent*) AWCs shown as operational during 2005-10 did not conform with the norms. The Director stated (February 2010/November 2010) that additional charge of AWCs was given to the nearby AWWs and the Programme Officers (POs) were directed to initiate action for filling up the vacant posts of AWWs at least three months before the vacancy actually occurred. The reply indicates that the POs had not taken timely action to fill up the vacant posts of AWWs and AWHs during 2005-10 to ensure providing of services for child development as provided in the scheme.

1.2.8.2 Construction of Anganwadi Centre buildings

The AWC is not only the place where the package of services under the ICDS scheme is delivered but also a focal point for village women where they can congregate and discuss various issues freely. Most of the AWCs were functioning in village *chaupals*, *dharamshalas*, rented buildings, primary schools and at the residences of AWWs and AWHs. In order to provide a clean and healthy environment to the beneficiaries, the Government released ₹ 32.14 crore for the construction of 1,179 AWCs to the Panchayati Raj Department through the concerned Additional Deputy Commissioners during 2005-10 as per details given below:

Table 6: Construction of Anganwadi Centres

Year	Number of AWCs to be constructed	Funds released (₹ in crore)	Cost per AWC (₹ in lakh)	Target month for completion	Number of AWCs constructed as of June 2010	Funds utilised for construction (₹ in crore)	Shortfall (percentage)	Delay in months	Funds remaining unspent (₹ in crore)
2005-06	363	7.55	2.08	December 2005	356	7.40	7 (2)	54	0.15
2006-07	256	5.32	2.08	March 2007	243	5.05	13 (5)	39	0.27
2007-08	207 63	9.29	3.44	March 2008 December 2008	243	8.36	27 (16)	27 18	0.93
2008-09	87 203	9.98	3.44	March 2009 December 2009	123	4.23	167 (58)	15 6	5.75
Total	**1,179**	**32.14**			**965**	**25.04**	**214 (18)**		**7.10**

Source: Data supplied by the department.

Against the target of constructing 1,179 AWC buildings, only 965 buildings were constructed despite availability of funds.

The Director stated (July 2010) that the remaining AWCs could not be completed on due dates due to elections, delays in site selection/disputes, etc. The reply of the department is not acceptable as the model code of conduct was not applicable to the ongoing construction works. Further, the model code of conduct was in force for only 30 days in 2008-09 and 114 days in 2009-10 for Lok Sabha and Vidhan Sabha elections and for short periods (34 to 48 days) for by-elections in some constituencies. The Financial Commissioner and Principal Secretary stated (November 2010) during the exit conference that 43 more AWCs had been constructed as of October 2010. Even after taking the latest position into account 171 AWCs (2005-06: 7, 2006-07: 10, 2007-08: 21 and 2008-09: 133) remained incomplete.

1.2.8.3 Facilities in Anganwadi Centres

Drinking water facilities were not available in 12,760 AWCs and toilet facilities were not available in 9,922 AWCs.

Under the scheme, stress was laid on providing safe drinking water and hygienic and sanitary conditions in the AWCs. Though the ICDS scheme was being implemented in the State from 1975-76, inadequate facilities persisted in the AWCs as of July 2010. In 5,238 (30 *per cent*) *out* of 17,444 AWCs, neither drinking water nor toilet facilities were available. Out of remaining the 12,206 AWCs, drinking water facilities were not available in 7,522 AWCs and toilet facilities were not available in 4,684 AWCs. Thus, drinking water and toilet facilities were available only in 4,684 (27 *per cent*) and 7,522 (43 *per cent*) AWCs respectively. Though the scheme was being implemented for about 35 years, the department was not able to provide these facilities in all the AWCs in a time-bound manner.

During exit conference, the Director, while admitting the facts stated that funds of ₹ 3.99 crore had been released in the current year to provide for these facilities, including provision for cooking and storage space for supplementary nutrition.

The Government sanctioned ₹ 8.80[19] crore during 2007-09 for providing infrastructural facilities for children like swings, tables and chairs at AWCs. Out of this, ₹ 5.80 crore was placed at the disposal of Village Level Committees (VLCs) through the concerned POs and ₹ three crore was diverted by the Finance Department towards the Old Age Pension Scheme. The purchases were to be made by VLCs in rural projects under the supervision of the Deputy Commissioners (DC)/Additional Deputy Commissioners (ADC) and POs and by committee of DC/ADC and POs in urban projects. It was observed that in 17 out of 21 districts (information in respect of Rohtak, Ambala, Jhajjar and Yamunanagar was not available at the Directorate), as against the allocation of ₹ 4.79 crore, only ₹ 4.28 crore was spent. The balance ₹ 0.51[20] crore was available with the VLCs in 10 districts. Delays in purchasing the material deprived children in AWCs of play material, tables and chairs.

The Director, while admitting the facts, stated (July 2010) that POs had been directed to request the committees constituted for the purpose to finalise the purchases within a month.

1.2.9 Supplementary Nutrition Programme

Under the Supplementary Nutrition Programme (SNP), all children upto the age of six years and pregnant/lactating mothers were to be enlisted. The AWWs were responsible for conducting surveys of the villages, identifying and enlisting children up to six years as well as pregnant and lactating mothers for providing supplementary nutrition.

1.2.9.1 Inadequate coverage of beneficiaries

Supplementary nutrition was to be provided for 300 days in a year as per the programme. Details of the coverage of eligible beneficiaries during 2005-10

[19] 2007-08: ₹ 4.80 crore and 2008-09: ₹ 4 crore.

[20] Bhiwani: ₹ 0.03 crore; Faridabad: ₹ 0.01 crore; Fatehabad: ₹ 0.06 crore; Gurgaon: ₹ 0.06 crore; Jind: ₹ 0.03 crore; Karnal: ₹ 0.02 crore; Narnaul: ₹ 0.05 crore; Panchkula: ₹ 0.05 crore; Panipat: ₹ 0.09 crore; Rewari: ₹ 0.11 crore.

are given below:

Table 7: Coverage of beneficiaries under SNP

(Beneficiaries in lakh)

Year	Eligible beneficiaries		Beneficiaries provided supplementary nutrition		Shortfall (*per cent*)	
	Children	Expectant and lactating mothers	Children	Expectant and lactating mothers	Children	Expectant and lactating mothers
2005-06	19.21	3.35	9.55	2.38	9.66 (50)	0.97 (29)
2006-07	20.84	3.82	11.19	2.87	9.65 (46)	0.95 (25)
2007-08	21.67	4.00	10.53	2.85	11.14 (51)	1.15 (29)
2008-09	21.79	4.04	10.15	2.85	11.64 (53)	1.19 (29)
2009-10	21.85	4.05	9.39	2.82	12.46 (57)	1.23 (30)

Source: Progress reports of the department.

Shortfall in coverage of children under SNP ranged between 46 and 57 *per cent*, while in the case of pregnant/ lactating mothers, it ranged between 25 and 30 *per cent.*

As can be seen from the table 7 the shortfall in the coverage of eligible children ranged between 46 and 57 *per cent* while in the case of expectant and lactating mothers, it ranged between 25 and 30 *per cent*.

In the test-checked districts, the shortfall in the coverage of children (zero to six years) and pregnant/lactating mothers ranged between 49 and 56 *per cent* and 26 and 37 *per cent* respectively **(*Appendix 1.1*)**.

To ensure the benefits of the ICDS scheme, nutrition and health education was to be provided to all women in the age group of 15-45 years with priority to nursing mothers. It was, however, observed that adequate attention was not paid towards this activity as discussed in paragraph 1.2.11. This as well as the lack of basic facilities of safe drinking water, toilet, hygienic and sanitary conditions at AWCs as discussed in paragraph 1.2.8.3 resulted in less coverage of beneficiaries.

The Director, while admitting the facts, stated that with a view to increase the attendance of beneficiaries in AWCs and to implement SNP in an effective manner, several initiatives like providing creative pre-school kits, attractive and colourful tables and chairs, different types of recipes for providing food to the children, etc. had been taken.

1.2.9.2 Supply of ready-to-eat food

To improve the nutritional and health status of children in the age group of zero to six years, pregnant and lactating mothers, ready-to-eat food was to be provided under SNP. For this purpose, four supply orders for ₹ 5.34 crore were placed (February to June 2006) with a firm to supply Multi-Cereal Energy Mix Food. As per the supply orders, the food material was to be inspected by the State Level Committee. Each supply was subject to laboratory tests in any two Government approved laboratories. Further, the food material to be supplied to the POs were to be inspected by District Level Committees headed by the DCs before supplying it to the AWCs. The supplies made by the firm were to be tallied with the samples approved by the State Level Inspection Committee. Three[21] out of 19 POs, to whom the food material was supplied, observed that it was not as per the norms and rejected and returned the same to the firm while the other 16 POs

[21] Fatehabad, Gurgaon and Rohtak.

accepted the food material as per details given below:

Table 8: Details of substandard material

Sr. No.	Month of supply orders	Quantity ordered	Quantity rejected by three POs	Quantity accepted by other POs	Cost of quantity accepted (₹ in crore)
		(In quintals)			
1	February 2006	6,624.00	365.80	6,258.20	1.16
2	March 2006	6,624.00	285.00	6,339.00	1.17
3	April 2006	8,018.20	662.20	7,356.00	1.36
4	June 2006	7,581.00	420.80	7,160.20	1.32
	Total	**28,847.20**	**1,733.80**	**27,113.40**	**5.01**

Source: Departmental records.

Ready-to-eat food costing ₹ 5.01 crore was served to beneficiaries in 16 districts although it was declared sub-standard in three other districts.

It was observed that these three POs brought the matter to the notice of the Directorate but no action was taken to check the quality of food material supplied in the other districts by the same supplier. Since the supplier was the same in all the districts, the possibility of serving sub-standard 27,113.40 quintal food material costing ₹ 5.01 crore, purchased at the rate of ₹ 1,850 per quintal, to the beneficiaries by 16 other POs could not be ruled out. The Director stated (February 2010) that the District Level Inspection Committees were to ensure the quality of food as per sample and laboratory reports sent to them. The reply is not acceptable as the Director should have taken cognizance of the fact that sub-standard food was supplied in three districts by the supplier. The risk of supplying sub-standard food in the other 16 districts also could not be ruled out.

Purchase of gur/sugar coated *chana* not suitable for consumption for children was injudicious.

Similarly, gur/sugar coated *chana* was purchased for ₹ 11.55 crore and provided to beneficiaries between December 2005 and April 2006. As per reports received from 14[22] districts, the beneficiaries did not like it as the *chana* (gram) used in preparing this item was hard and not fit for consumption of children, especially in the summer season. The Director stated (February 2010) that no objections were raised by any of the POs except PO, Karnal regarding supply of sub-standard quality of food. He also stated that since the chana was hard and not suitable for children upto six years, the department decided (January 2006) to serve it to the pregnant and lactating mothers and adolescent girls. It was also decided to discontinue the supply of this item after the summer of 2006-07.

From January 2007, the system of procurement of ready-to-eat food from contractors/manufacturers was dispensed with and Government decided (November 2006), on the directions of the Supreme Court that food would be prepared by Self Help Groups (SHGs) under the supervision of Village Level Committees (VLCs). As per directions of the Directorate issued in January 2007 to all the POs and reiterated in March 2008, the quantum of protein and calories of the food material as provided in the guidelines was to be ascertained and samples were to be got tested from time to time from the District Food Laboratories. It was observed that no food sample was sent for laboratory testing nor were any tests carried out by any of the AWCs in the test-checked projects. The Director stated (February 2010) that all the POs were directed to instruct the CDPOs/Supervisors

[22] Bhiwani, Fatehabad, Gurgaon, Hisar, Jind, Jhajjar, Kaithal, Karnal, Kurukshetra, Narnaul, Rewari, Rohtak, Sirsa and Yamunanagar.

under their control to contact the VLCs/SHGs to ensure the quality of food served to the beneficiaries regularly. The reply is not acceptable as no laboratory test was carried out to ascertain the nutritious value of the food as per the scheme guidelines and to ensure that the food served to the beneficiaries had adequate protein and calorific value.

1.2.9.3 Recommended Dietary Allowances

No separate test to ascertain micronutrients in food provided to infants/children was carried out.

Micronutrients are essential to the nutritional requirements of infants and young children, adolescent girls and pregnant and lactating women and due focus is necessary to provide micronutrients in supplementary nutrition provided under ICDS. In view of this, GOI decided (January 2006) to provide 50 *per cent* of the recommended dietary allowances for different micronutrients (calcium, iron, iodine, zinc, Vitamin A, riboflavin, ascorbic acid, folic acid, Vitamin B 12) to children between six months and six years through 80 grams of ready-to-eat energy food/raw material. To ensure the content of these micronutrients, it was necessary to get the food items tested from Government laboratories.

Scrutiny of the laboratory tests carried out in April and May 2006 at the Directorate level revealed that tests were carried out only to ascertain the contents of protein and calories in the food. No separate test to ascertain the contents of micronutrients was carried out. Further, no laboratory test was ever carried out by any of the 45 AWCs test-checked to check the contents of micronutrients in ready-to-eat food. The Financial Commissioner and Principal Secretary stated (November 2010) that due to delay in finalisation of tenders for ready-to-eat food items containing micronutrients, food items with micronutrients could not be supplied during January to October 2006. Thus, food was served to the beneficiaries without confirming the addition of micronutrients in the food served during January to October 2006.

1.2.10 Package of health services

1.2.10.1 Immunisation

Shortfall in immunisation of expectant mothers ranged between 17 and 24 *per cent* during 2005-10.

To protect children in the age group of zero to six years against various diseases like diphtheria, whooping cough, tetanus, poliomyelitis, measles, etc. all children and expectant mothers were required to be immunised as per the prescribed schedules of the Health Department. For this purpose, AWWs were required to prepare a list of children below six years of age as well as of expectant mothers in co-ordination with the Health Centres. Details of targets and achievements under immunisation of women and children are given below:

Table: 9: Details of targets and achievements under immunisation

(Beneficiaries in lakh)

Year	Yearly targets of BCG[23], DPT[24], Polio and Measles	Achievements (Percentage)				Yearly targets of TT[25] for mothers	Achievements (*per cent*)	Shortfall (*per cent*)
		BCG	DPT	Polio	Measles			
2005-06	3.96	4.02 (102)	3.91 (99)	3.88 (98)	3.86 (97)	4.65	3.80 (82)	0.85 (18)
2006-07	4.54	4.42 (97)	4.29 (94)	4.29 (94)	4.26 (94)	5.31	4.02 (76)	1.29 (24)
2007-08	4.23	4.53 (107)	4.44 (105)	4.44 (105)	4.39 (104)	4.95	4.09 (83)	0.86 (17)
2008-09	4.31	4.36 (101)	4.16 (97)	4.16 (97)	4.29 (100)	5.05	3.90 (77)	1.15 (23)
2009-10	4.33	4.53 (105)	4.30 (99)	4.30 (99)	4.48 (103)	5.04	3.96 (79)	1.08 (21)

Source: Figures supplied by the department.

Although the targets in the case of children were almost achieved, the shortfall in the case of pregnant women ranged between 17 and 24 *per cent* during 2005-10. The Director stated (July 2010) that POs had been directed to cover all the beneficiaries under the immunisation programme.

1.2.10.2 Health check-ups and referral services

Proper records of providing referral services were not maintained by AWCs.

In order to detect diseases and evidence of malnutrition or infection etc., general check-ups of all children under the age of six years was to be done after every three to six months. A close watch over their nutritional status was also to be kept by serially recording their height and weight once in a month and referring serious cases to appropriate hospitals for specialised treatment.

The nutritional status of children examined on the basis of weight measurement at AWCs during 2005-10 was as under:

Table 10: Year-wise details of malnourished children

Year	Total number of children weighed	Number of malnourished children			Total number of malnourished children	Percentage
		Grade I (Mild)	Grade II (Moderate)	Grade III and IV (Severe)		
2005-06	16,94,135	5,82,393	2,04,326	3,607	7,90,326	47
2006-07	19,03,392	6,49,426	2,11,452	2,030	8,62,908	45
2007-08	19,38,545	6,59,210	2,06,040	1,135	8,66,385	45
2008-09	20,63,878	6,91,612	2,18,187	1,031	9,10,830	44
2009-10	20,59,565	6,87,333	2,08,883	1,480	8,97,696	44

Source: Progress reports supplied by the department.

As is evident from the above table, there was no substantial improvement in the nutritional status of the children. The percentage of malnourished children ranged between 44 and 47 during 2005-10.

Details of cases required to be referred and actually referred to PHCs/CHCs were maintained only in four[26] out of the 15 test-checked blocks.

The Director stated (July 2010) that the records of referral cases would be maintained in future.

---

[23] Bacillus Calmette Guerin.

[24] Diphtheria Pertussis and Tetanus.

[25] Tetanus Toxoid.

[26] Ballabgarh (Urban), Faridabad (Rural), Hisar (Urban) and Narnaund.

1.2.10.3 Supply of medicine kits

As a vital input to provide essential health check-ups and referral services, each AWC was to be provided with a medicine kit consisting of easy to use dispensable medicines as remedies for common ailments like cough, common cold, skin infections, etc. The kits were to be procured within the first six months of each financial year.

Scrutiny of records revealed that the supply of medicine kits was delayed by 12 days to six months from the stipulated period during 2005-06 and 2006-07. Mebendazole tablets meant for deworming of children were supplied only in Fatehabad and Hisar districts in November 2006 and January 2007 respectively out of the 21 districts in the State. Against the requirement of 18.31 lakh tablets (Fatehabad 6.54 lakh and Hisar 11.77 lakh), only two lakh tablets were supplied in each district. It was observed that though the supplier had not supplied the tablets, the department had not taken any action to procure these tablets from any other source. Medicine kits were not procured and issued to the AWCs in the State during 2009-10. Further, as per the scheme, the medicines were required to be procured within first six months of the financial year, but the proposal for procurement was initiated only in September 2009 and the financial sanction was accorded by the Government in February 2010. The supply orders were placed with four firms in March 2010 to supply medicines within four to eight weeks and funds to the tune of ₹ 1.04 crore were drawn from the treasury in March 2010 itself to avoid lapse of the budget grant. Thus, delay in supply/non-supply of the medicines at the AWCs deprived the children of the benefits of the scheme.

The Director stated (July 2010) that the medicines for the year 2009-10 could not be purchased due to operation of the model code conduct prior to elections. The reply is not convincing as the model code of conduct was in force upto 28 May 2009 (58 days) and from 31 August 2009 to 25 October 2009 (56 days) during 2009-10.

1.2.11 Nutrition and health education

No targets were fixed for educating women about nutrition and health care.

Under the ICDS scheme, Nutrition and Health Education (NHED) was to be given to all women in the age group of 15-45 years with priority to expectant and lactating mothers through publicity, special campaigns, home visits, etc. It was observed that targets to educate women were not fixed. The position regarding the number of women educated through home visits in test-checked blocks is given in ***Appendix 1.2***. An analysis of the data revealed that out of the test-checked blocks, the number of women educated through home visits were negligible in Ballabgarh (Urban), Narnaund and Jind (Urban) blocks while no data in this regard was supplied by the Pundri and Kathura blocks.

Further, the department had not conducted any survey to identify the total number of women in the age group of 15-45 years, which was the target group under this component. In the absence of this, the extent of coverage under the component could not be ascertained in audit.

During the exit conference in November 2010, it was stated that no targets for coverage of women were fixed but targets for home visits were fixed. Further, NHED was also provided through mass media like advertisements through newspapers, jingles on the radio and organising special camps at block and village levels. The reply is not convincing as no documented plan was made to educate all the women in prescribed age group i.e. 15 to 45 years.

1.2.12 Non-formal pre-school education

1.2.12.1 Enrolment for pre-school

As per the scheme, children between three to six years of age were to be provided non-formal pre-school education through AWCs to develop desirable attitudes, values and behaviour patterns among them. Targets for enrolment of children and achievements thereagainst were as under:

Enrolment of children for pre-school education decreased from 84 *per cent* to 58 *per cent* during 2005-10.

Table 11:Targets and achievements under non-formal pre-school education

(Number in lakh)

Year	Targets	Achievements (Percentage)
2005-06	5.41	4.55 (84)
2006-07	6.54	5.25 (80)
2007-08	6.91	4.56 (66)
2008-09	6.91	4.21 (61)
2009-10	6.30	3.65 (58)

Source: Departmental records.

The enrolment of children in AWCs decreased to 3.65 lakh in 2009-10 from 5.25 lakh in 2006-07 although the number of AWCs increased from 16,359 to 17,444 during the corresponding period.

The Director stated (January 2010) that the attendance of children for non-formal pre-school education in AWCs had decreased as the parents preferred to send their wards to Government/private schools. During the exit conference, it was also stated that the AWCs would be modernised to attract the children for non-formal pre-school education by introducing English teaching and issuance of performance certificates to children to facilitate their admission for further education.

Records of children in the test-checked blocks regarding joining of primary schools after their non-formal pre-school education were maintained only in four[27] blocks. In the absence of confirmed records, it could not be ascertained in audit as to whether all the children had joined primary schools after their non-formal pre-school education or not.

The Director, while admitting the facts, stated (July 2010) that the POs had been directed to maintain the records and send the reports of children joining primary schools to the Directorate.

[27] Ballabgarh (Urban), Faridabad (Rural), Hisar (Urban) and Narnaund.

1.2.12.2 Pre-school education kits

The pre-school education component under ICDS scheme is a crucial component, which aims at school readiness and development of positive attitudes towards education. Pre-school education kits were to be procured each year for all AWCs to strengthen pre-school education in AWCs. The Government could prepare kits of two types, one for the age group of zero to three years (Kit 'A' consisting of early stimulation play material) and the other for the age group of three to six years (Kit 'B' containing material which helped to develop pre-number concepts, vocabulary building, storytelling, conversation, etc.). Each AWC was to be provided with one or the other kit in each alternate year.

It was observed that despite drawal of funds[28] in advance in each year, pre-school education kits were procured and supplied to AWCs after delays of 16 to 28 months during 2005-08 as detailed below:

Table 12: Delay in procurement of PSE kits

Year	Nature of kits	Month of receipt	Delay from start of session
2005-06	Ankur Abhyas Pustika and Ankur Manual (Kit B)	October 2006 and February/ March 2007	18 to 24 months
2006-07	Kits containing early stimulation material (Kit A)	August/November 2007	16 to 19 months
2007-08	Ankur Pustika (Kit B)	November 2008 to August 2009	19 to 28 months

Source: Records of the Directorate.

The delays in procurement of kits was mainly due to delays in processing the cases in the department as also delays in printing of the kits by the printers. No such kits for the years 2008-09 and 2009-10 were procured due to delays in finalising the contents of the kits by the Directorate. Thus, inordinate delay/non-procurement of kits during 2005-10 defeated the national goal of GOI of improving the quality of school education in AWCs through a new initiative of regular provision of pre-school education kits in AWCs.

The Director stated (July 2010) that delays in the procurement of kits were due to late supply of material by the Printing and Stationery Department and delays in finalisation of the contents of kits.

1.2.13 Other points

1.2.13.1 Excess printing of Growth Monitoring Weight Books

The Government sanctioned (March 2007) ₹ 30 lakh for the printing of Growth Monitoring Weight Books (GMWB) for monitoring and evaluation of the growth of children. For this purpose, 24,057 books were printed (2007-08) from a firm at the rate of ₹ 124.70 per book. It was noticed that the number of operational AWCs in the State during 2006-07 was 16,359, which increased to 17,444 during

[28] February 2006: ₹ 67.33 lakh; March 2007: ₹ 81.79 lakh and March 2008: ₹ 86.59 lakh.

2007-08 and remained static upto 2009-10. The maximum requirement of books was 17,444 books, against which 24,057 books were got printed, resulting in excess printing of 6,613 books. Thus, non-assessment of requirement of books with reference to AWCs in operation resulted in an extra expenditure of ₹ 8.25 lakh.

The Director stated (July 2010) that more than one book was required in some AWCs, where the number of children was more than 200. The reply is not convincing, as the average number of children in AWCs was not more than 125 during 2007-10. Further, the department had not identified the AWCs, which required more than one GMWB.

1.2.13.2 Specific scheme to curb anaemia

Under a specific scheme to curb anaemia, all children in the age group of zero to six years, pregnant and lactating mothers and adolescent girls were to be provided iron and folic acid tablets. Children were also to be given mebendazole tablets for deworming.

Rule 2.10 (b) (5) of the Punjab Financial Rule as adopted by Haryana, provides that no money should be drawn from the treasury unless it is required for immediate disbursement.

Against withdrawal of ₹ 7.76 crore, medicines worth ₹ 3.34 crore were procured.

For purchase of medicines under the 'Specific scheme to curb anaemia', the department withdrew ₹ 7.76 crore from the treasury in March 2009 and kept the amount in the form of Remittance Transfer Receipts upto 15 June 2009 and thereafter in the form of Fixed Deposit Receipts (FDRs), which was against the above mentioned financial rule. The department placed two supply orders in March 2009 to procure medicines of ₹ 7.76 crore, out of which medicines worth ₹ 3.34 crore only (43 per cent) were supplied during 2009-10. Thereafter, no medicines were supplied by the agency. It was observed that though the suppliers did not supply the medicines even within the extended period i.e. up to November 2009, no efforts were made to procure the medicines from any other source.

The Director stated (July 2010) that the firm could not supply the medicines due to inadequate infrastructure with the firm and the supply orders were cancelled due to non-supply of the medicines after the extended period. It is not clear from the reply as to whether the capacity of the firm was taken into account before placing the supply orders due to which the medicines could not be procured as per the supply orders.

Thus, despite drawal of funds, the department failed to purchase the required quantity of medicines, depriving the beneficiaries of benefits of the scheme.

1.2.13.3 Short recovery of penalty

To equip AWCs with information on the scheme to curb anaemia, a folder to record the health status of children was devised by the department for distribution to the beneficiaries at AWCs and to all the Civil Surgeons. For this purpose, an order for printing five lakh folders for ₹ 29.40 lakh was placed (March 2009) with a firm to supply the folders by 30 April 2009, failing which penalty at the rate of two *per cent* per week was to be imposed. As the delay in supply of printed folders ranged from 18 to 25 weeks, penalty of ₹ 11.73 lakh was to be imposed. The department released ₹ 21.76 lakh to the firm and withheld an amount of ₹ 7.64 lakh for the delayed supply, which was deposited (February 2010) back into the treasury. Penalty amounting to ₹ 4.09 lakh was short-recovered.

The Director stated (July 2010) that the firm offered the material for inspection on 28 July 2009. Therefore, penalty up to that period was imposed, which worked out to ₹ 7.64 lakh. The reply of the department is not acceptable as the material was supplied in September-October 2009.

1.2.14 Manpower management

1.2.14.1 Shortage of staff

The shortage of staff in the cadre of supervisor and AWW affected the implementation of the scheme.

As stated earlier, the Director, Women and Child Development is the overall in-charge for implementation of the scheme. He is assisted by POs at the district level and CDPOs at the block level. The ICDS package of services is delivered through AWCs set up in every village or ward of urban slum areas by AWWs. Field level functionaries comprising AWWs, Supervisors, CDPOs and POs play an important role in implementation of the scheme. The POs/CDPOs are responsible for implementation of the scheme and provide links between the scheme functionaries and the administration. Any shortage of field level functionaries adversely affects the implementation of the scheme. However, there was shortage of staff as per details given below:

Table 13: Statement showing shortage of staff

Year	Name of post	Sanctioned strength	Persons in position	Shortage
2005-06	PO	22	20	02
	CDPO	128	113	15
	Supervisor	654	648	06
	AWW	13,546	13,427	119
2006-07	PO	22	20	02
	CDPO	128	116	12
	Supervisor	654	641	13
	AWW	16,359	16,234	125
2007-08	PO	23	23	-
	CDPO	137	127	10
	Supervisor	687	624	63
	AWW	17,444	17,149	295
2008-09	PO	23	23	-
	CDPO	137	124	13
	Supervisor	687	621	66
	AWW	17,444	17,276	168
2009-10	PO	24	23	1
	CDPO	140	124	16
	Supervisor	687	606	81
	AWW	17,444	17,271	173

Source: information supplied by the department

The shortage of staff in the cadre of CDPO, Supervisor and AWW affected the implementation of the scheme as there was shortfall in coverage of beneficiaries under SNP, non-formal pre-school education, immunisation, health check-ups and nutritional and health education.

1.2.14.2 Training

There was a shortfall (13 to 23 *per cent*) in imparting training to staff.

As per the guidelines, CDPOs, Supervisors, AWWs and AWHs were required to be trained or oriented for the task assigned to them.

There was a shortfall in achievement of targets (13 to 23 *per cent*) of imparting training to staff during 2005-10 (upto September 2009) as shown in ***Appendix 1.3***. The major shortfall was in imparting of orientation/job training to AWHs. Against the target of imparting training to 7,250, only 4,691 AWHs were imparted training during 2005-10. Shortfall in imparting training had adverse impact on providing quality of services to children and women.

1.2.15 Monitoring and evaluation

A monitoring cell established in the Directorate was responsible for collecting and analysing periodic work reports as timely intervention was necessary for ensuring effective programme implementation. The AWWs were submitting monthly reports indicating the number of children, expectant/nursing mothers provided with supplementary nutrition and immunisation every month to the CDPO through Supervisors for checking, consolidation and further submission to the Director. The monitoring cell was compiling the statistical information received from AWCs. The cell was expected to report cases of underperformance to higher authorities and ensure follow-ups for improvement in services. It was observed that the monitoring cell had issued letters to the underperforming districts/units but had not followed up further to bring about the improvement. The working of the monitoring cell was not effective as there were substantial shortfalls in coverage of beneficiaries/population under the various components of the scheme.

It was stated (November 2010) that the department had devised a new format in September 2010 for monitoring the implementation of the scheme right from Supervisor/CDPO level to the Minister level.

The Health Department conducted a survey and examined the children of AWCs under Bal Swasthya Yojna during July-August 2010 to assess their health status. The survey disclosed that out of 8.93 lakh children examined, 2.37 lakh children (27 *per cent)* were anaemic.

1.2.16 Conclusion

The overall impact of implementation of the scheme was far from satisfactory as about 44 *per cent* children in the targeted age group were malnourished at the end of 2009-10. There were significant shortfalls in the coverage of targeted beneficiaries/ population under various components of the scheme such as SNP, immunisation, etc. Health check-ups of a significant number of children were not conducted to detect diseases and other evidence of malnutrition. Poor quality of food was supplied to children and pregnant/lactating mothers in certain projects. Further, drinking water and toilet facilities were not available in 73 and 57 *per cent* AWCs respectively. There were shortfalls in enrolment of children for non-formal pre-school education. The objectives of improving the nutritional and health standard of the children and enhancing the capability of mothers to ensure the nutritional and health standards of their children, thus, remained largely unachieved.

1.2.17 Recommendations

On the basis of performance audit, the following recommendations are made:

- The department should prepare a Perspective Plan to provide basic amenities such as drinking water, hygiene and sanitation in all the AWCs.
- Medicines and pre-school education kits should be made available to each AWC every year as per the norms.
- The specific scheme to curb anaemia should be implemented more rigorously to minimise cases of anaemia in the children of the State.
- Anganwadi Centres should keep proper records of health check-ups and referral cases for further follow-up.
- The department should ensure that records in respect of children who joined primary schools or dropped out after completing the stage of non-formal pre-school education are maintained at AWCs to monitor and assess the usefulness of such education towards developing their behaviour and pattern and further education.
- The scheme needs to be reviewed in the view of decline in the number of children for non-formal pre-school education and availability of facilities in Government/private schools.

These points were demi-officially referred to the Financial Commissioner and Principal Secretary to Government of Haryana, Women and Child Development Department in June 2010. Reply had not been received (August 2010).

Public Health Engineering Department

1.3 Indira Gandhi Drinking Water Scheme

Highlights

The Indira Gandhi Drinking Water Scheme was introduced with the aim of providing private water connections to 30 lakh households, thereby saving wastage of water supplied through public standposts and mandays lost in drawing water from the standposts. Performance audit of the scheme revealed that targets of providing water connections to Scheduled Caste (SC) households were achieved but achievements in respect of General Category (GC) households were negligible. Resultantly, the aim of preventing wastage of water could not be achieved. Deficiencies in implementation of the scheme included expenditure of ₹ 94.94 lakh on general category households which was contrary to scheme guidelines, non-levy of ₹ 8.50 crore as water charges, providing 22,649 connections in areas where raw water was not available, etc. Besides, 69,819 Polyvinyl chloride tanks and 11.14 lakh metres of GI pipes were purchased in excess of requirement. Water distribution networks of only 37 out of 2,504 villages were handed over to Gram Panchayats for maintenance.

Targets for providing water supply connections to SC households were achieved but in respect of GC households, the achievements were negligible.

(Paragraph 1.3.8.1)

A total of 22,649 water supply connections were provided to SC households where sufficient raw water was not available leading to unfruitful expenditure of ₹ 6.34 crore.

(Paragraph 1.3.8.3)

In 12 out of 19 test-checked divisions, 22,796 water supply connections were provided at an expenditure of ₹ 6.39 crore to SC households, in excess of the identified households.

(Paragraph 1.3.8.4

Public Health Engineering Division, Sirsa II incurred an expenditure of ₹ 94.94 lakh on providing water supply connections to 17,180 GC households, contrary to scheme guidelines.

(Paragraph 1.3.8.5)

In 19 test-checked divisions, water distribution networks of only 37 out of 2,504 villages were handed over to Gram Panchayats for operation and maintenance.

(Paragraph 1.3.8.8)

Non-levy of water charges in 19 test-checked divisions resulted in loss of revenue of ₹ 8.50 crore to the Government.

(Paragraph 1.3.8.9)

PVC tanks worth ₹ 17.52 crore were purchased in excess of requirement; GI pipes of ₹ 6.68 crore were lying unused in stock in 17 test-checked divisions.

(Paragraph 1.3.9.1)

1.3.1 Introduction

Keeping in view the necessity of conserving and distributing water equitably and to improve the socio-economic condition of the people of the State, the Government introduced the Indira Gandhi Drinking Water Scheme in November 2006. The scheme envisaged motivating 30 lakh households (General category (GC): 22 lakh and Scheduled Caste category (SC): 8 lakh) to avail of the facility of private water connections in their houses, thereby saving wastage of water worth ₹ 100 crore, annually supplied free of cost in the State through five lakh public standposts and the mandays lost in drawing water from these standposts. By providing private water connections to all the identified households, employment opportunities to 20,000 persons were expected to be generated on account of installation and maintenance of water connections, collection of water bills, etc. The scheme was to be implemented in rural as well as urban areas. As per the guidelines, the scheme was to be completed in three years (i.e. 2006-07 to 2008-09). However, as the achievement was only 20 *per cent* upto December 2008, the scheme was extended in January 2009 upto 2009-10.

1.3.2 Organisational set-up

The State Sanitary Board, Haryana (Board) looks after the formulation of policies/schemes and allocation of funds relating to water supply schemes and monitoring their implementation. The Financial Commissioner and Principal Secretary (FCPS) to the Government of Haryana, Public Health Engineering (PHE) Department is the administrative head at Government level and is responsible for implementation of policy decisions, programmes, schemes, etc. The Engineer in Chief (EIC), PHE Department is overall in-charge of the schemes and responsible for implementation of the scheme. He is assisted by four Chief Engineers (CEs), 20 Superintending Engineers (SEs) and 71 Executive Engineers (EEs). Organisation set up is also depicted in the ***Appendix 1.4***.

1.3.3 Audit objectives

The audit objectives were to assess whether:

- the process of planning was adequate and effective;

- the financial management was efficient;
- the implementation of the scheme was as per scheme guidelines and the objectives of the scheme were realised;
- a proper procedure for assessment of requirement and purchase of stores was followed and
- an effective monitoring and follow-up system was in place.

1.3.4 Audit criteria

For the achievement of audit objectives, the following criteria were adopted:

- Guidelines for implementation of the Indira Gandhi Drinking Water Scheme;
- Provisions of the Punjab Budget Manual and Punjab Financial Rules as adopted by Haryana;
- Rules, regulations and instructions of Government for execution of works and
- Public Works Department (PWD) Code.

1.3.5 Scope of audit and methodology

Performance audit of the implementation of the scheme since its inception in November 2006 till March 2010 was conducted through test check of the records in the offices of the Board, EIC and 19[29] (out of 45) divisions under nine (out of 12) circles. Circles for test check were selected using probability proportionate to size without replacement method and divisions were selected on the basis of volume of expenditure on the scheme. An entry conference was held in March 2010 with the EIC, PHE Department and an exit conference was held in July 2010 with the FCPS to Government of Haryana, PHE Department to discuss the audit findings. Views of the department were considered while finalising the performance audit report.

Audit findings

1.3.6 Planning and survey

The scheme was to be implemented in three phases. In the first phase (2006-07), 5,000 villages and approved urban colonies with availability of 40 LPCD[30] or

[29] Ambala, Bhiwani-II, Fatehabad, Gohana, Hisar-I, Hansi, Jind, Kaithal, Narnaul, Naraingarh, Panchkula, Panipat-II, Rohtak-I and II, Rewari, Sirsa-I and II, Sonipat (D&P) and Yamunanagar-II.

[30] Litres per capita per day.

more drinking water supply were to be covered. In the second phase (2007-08), 1,000 villages, where availability of water was less than 40 LPCD were to be covered. In the third phase (2008-09), the remaining 759 villages, where no water source was easily available, were to be covered. For the implementation of the scheme in the first phase, it was essential to identify the villages having actual water supply status of 40 LPCD or more. It was, however, observed that no such exercise was carried out by the department. Targets were fixed without any survey or pilot study without taking into account the availability of water. Similarly, for the second and third phases also, no such exercise was conducted.

Further, as per the scheme, SC households were to be provided private water connections along with Polyvinyl Chloride (PVC) water storage tanks fitted with water taps free of cost, while the GC households were to bear the expenditure on storage tanks, water taps, etc. themselves. Therefore, it was essential to conduct survey of GC households to assess whether they were willing to procure PVC tanks and taps for availing of water connections. However, no such survey was conducted by the department.

1.3.7 Financial management

1.3.7.1 Financial outlay and expenditure

As laid down in para 5.3 of the Punjab Budget Manual as adopted by Haryana, the budget estimates of ordinary expenditure should be framed as accurately as possible. Budget provisions for all items of expenditure that can be foreseen should be made and included under the proper sub-heads. The year-wise position of budget provisions and expenditure for the period 2006-10 was as under:

Table 1: Budget provisions and expenditure

(₹ in crore)

Year	Budget provision			Final grant/Appropriation			Actual expenditure			Excess (+)/ Savings (-)
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total	
2006-07	-	-	-	5.75	-	5.75	4.18	-	4.18	(-) 1.57
2007-08	138.00	10.00	148.00	146.50	3.50	150.00	103.60	-	103.60	(-) 46.40
2008-09	153.00	2.00	155.00	118.00	2.00	120.00	128.80	3.17	131.97	(+) 11.97
2009-10	100.00	30.00	130.00	100.00	30.00	130.00	103.10	23.91	127.01	(-) 2.99
Total	**391.00**	**42.00**	**433.00**	**370.25**	**35.50**	**405.75**	**339.68**	**27.08**	**366.76**	**(-) 38.99**

Source: EIC, Public Health Engineering Department.

The savings during 2006-08 were mainly due to non-execution of works with reference to physical targets fixed for the respective years as discussed in paragraph 1.3.8.1. Further, there was blocking of funds of ₹ 24.20 crore due to purchase of PVC tanks and GI pipes in excess of requirement as discussed in paragraph 1.3.9.1.

The FCPS stated at the exit conference that these savings were due to non-release of water supply connections to the targeted number of beneficiaries as in the initial years, the basic infrastructure required to be provided to ensure adequate drinking water was not available with the department.

1.3.7.2 Expenditure in excess of estimates

As per para 2.117 of the PWD code, a revised estimate must be submitted when the sanctioned estimate is likely to be exceeded by more than five *per cent*, either due to the rates being found insufficient or for any other reasons whatsoever.

An expenditure of ₹ 9.30 crore was incurred in excess of sanctioned estimates.

In eight[31] out of 19 test-checked divisions, it was observed that against the approved estimated cost of ₹ 36.05 crore, an amount of ₹ 45.35 crore was incurred during 2007-10 on 19 works. An expenditure of ₹ 9.30 crore was incurred in excess of sanctioned estimates. The revised estimates for these works were not prepared as of August 2010.

The EE of Fatehabad division, while admitting the facts, stated (March 2010) that the excess expenditure would be got regularised through revised estimates. Further developments were awaited (August 2010).

1.3.7.3 Non-deposit of earnest money in Government Account

According to paragraph 2.70 of the PWD code, the earnest money received from successful bidders is required to be deposited in the Government Account.
In three[32] out of 19 test-checked divisions, earnest money of ₹ 25.34 lakh received in respect of 268 works in the form of deposit at call receipt[33] (DAC) was retained by EEs instead of depositing the same in the Government Account. No records about return of earnest money to contractors were maintained by the EEs. The EIC intimated (July 2010) that the earnest money was a part of security and the same was returned after completion of works. The reply was not in consonance with the codal provisions as earnest money received in the form of DACs was required to be deposited in the Government Account.

1.3.8 Programme implementation

1.3.8.1 Status of water connections provided to households

As per the guidelines, private water connections were to be provided to 22 lakh GC and eight lakh SC households. As per the directions (April 2007) of the EIC, GC households were to be persuaded/motivated by the department to avail of private water connections. Local non-Government organisations (NGOs) were also to be involved for this work. Further, SEs or any other officers deputed by them were required to hold meetings with GPs to sensitise them about the benefits of the scheme.

In order to achieve the objectives of any programme/scheme, it is essential to fix annual targets and watch the progress of work against those targets. Details of the number of private connections proposed to be provided and actually provided, as

31 Bhiwani-II,Fatehabad, Gohana, Naraingarh, , Rohtak-I, Rohtak-II, Rewari and Sonipat-II.
32 Hansi, Panchkula and Rewari,
33 DAC is issued by bank in the favour of the EE.

reported by the EIC, during 2006-10 are tabulated below:

Table 2: Status of water connections provided

(Figures in lakh)

Year	Number of private connections proposed to be provided			Water connections provided		
	GC	SC	Total	GC	SC	Total
2006-07	5.00	1.00	6.00	Nil	0.20 (20)	0.20 (3)
2007-08	10.00	4.00	14.00	Nil	3.48 (87)	3.48 (25)
2008-09	7.00	3.00	10.00	Nil	2.29 (76)	2.29 (23)
2009-10	Nil	Nil	Nil	Nil	2.58	2.58
Total	**22.00**	**8.00**	**30.00**	**Nil**	**8.55 (107)**	**8.55 (29)**

Note: Figures in brackets indicate percentage.

(Source: EIC, Public Health Engineering Department)

As is evident from the above, against the target of releasing 22 lakh private water connections to GC households, no connections were provided by the department during 2006-10 as per EIC records. It was, however, observed in the nine test-checked divisions that 54,128 connections were provided to GC households during 2006-10. In the case of SC households, against the target of eight lakh households, private water connections to 8.55 lakh households were provided. The department overachieved the targets in the case of SC households.

Water connections provided to GC households were negligible during 2006-10.

In order to provide water connections to GC households, the department was required to allocate the targets to various divisions after conducting village level surveys and after obtaining the willingness of GC households to avail of drinking water facility connections on payment basis. It was, however, observed that neither was any survey been conducted nor was the required willingness of GC households obtained.

Out of the 19 test-checked divisions, targets for providing GC connections were fixed only by three[34] divisions at their own level while the remaining 16 divisions did not fix any targets during 2006-10. Against the target of providing 87,226 connections to GC households, these three divisions provided 29,475 connections during 2006-10. Six other divisions also provided 24,653 connections to GC households on payment basis although no targets were fixed by these divisions.

It was further observed that no steps as per the directions (April 2007) of EIC were taken by the department to motivate the GC households for availing of private connections. In the test-checked divisions, out of 1,41,963 public standposts only 47,217 (33 *per cent)* could be removed. As GC households were not availing of private water connections, the majority of public standposts being the source for water were not removed. Therefore, the objective of preventing wastage of water and manhours lost in drawing water from the standposts remained unachieved.

The FCPS, while admitting the facts, stated (July 2010) that the main thrust of the department was on releasing private water connections to SC households. The reply is not convincing as the scheme was to be implemented for both SC and GC households. Further, thrust was to be given for providing water connections to

[34] Rohtak I, Sirsa II and Sonipat (D&P).

GC households, as the target for coverage for GC households was about twice that of SC households.

1.3.8.2 PVC tanks not provided

In a water supply scheme, targets can be considered to have been achieved only when all the activities have been completed and all the facilities envisaged under the scheme are provided to the beneficiaries.

Achievements in respect of SC households were inflated by 6,650 connections.

As per the scheme, one PVC tank was to be provided to each SC household free of cost with the release of a water connection. In two[35] out of the 19 test-checked divisions, it was noticed that 68,094 connections were shown as provided to SC households in 278 villages and five urban areas. However, while comparing the data of PVC tanks issued from the stores, it was noticed in audit that only 61,444 PVC tanks were issued in these divisions. Hence 6,650 SC households were not provided PVC tanks although they were required to be provided free of cost under the scheme. Since these beneficiaries were not provided full facilities as per the scheme guidelines, these beneficiaries should not have been included in the figures of achievements. The achievements of the scheme were, thus, inflated by 6,650 connections. The EIC, while admitting the facts, stated (July 2010) that field officers had been strictly advised to provide PVC tanks to SC households.

1.3.8.3 Providing connections without ensuring availability of water

Water supply connections were provided without ensuring availability of raw water.

As per the guidelines of the scheme, private water connections were to be released where the water supply status was 40 LPCD or more. Further, infrastructure for water supply in the villages was to be improved to provide at least 40 LPCD water before releasing private connections under the scheme.

In 499 villages under the jurisdiction of 10[36] divisions, 1,07,476 connections were released by incurring an expenditure of ₹ 30.09 crore during 2007-10. The availability of raw water in these villages was less than 40 LPCD ***(Appendix 1.5)***. Out of these connections, drinking water was not available to 22,649 households due to various reasons like non-availability of distribution pipelines in the area, abandoned waterworks, high altitude of the areas and wastage of water due to leakages, etc. in the pipeline. An expenditure of ₹ 6.34 crore was incurred on providing water tanks, taps and other expenses on providing connections without ensuring the availability of water in these areas.

Scrutiny of records revealed the following:

- The PHE Division, Narnaul provided 1,128 connections to SC households of 21 villages but these water supply connections were not functional as distribution pipelines were not provided or did not exist in the areas.
- In three[37] of the test-checked divisions, 5,365 connections were not functional as water supply pipes/system connecting the network were lying

35 Hisar-I and Fatehabad.
36 Ambala, Fatehabad, Gohana, Hansi, Naraingarh, Narnaul, Panipat II, Panchkula, Rewari and Rohtak II.
37 Hansi, Gohana and Rohtak I.

abandoned. An expenditure of ₹ 1.50 crore was incurred on release of these connections.

During the exit conference, the EIC stated that due to less flow in the canal system, water supply could not be made to the desired level and that main objective of the scheme was to release private connections to households. The reply is not convincing as private water connections were to be released only after ensuring availability of water.

1.3.8.4 Water connections provided in excess of identified SC households

In 12 divisions, 22,796 water connections in excess of targets were provided to SC households.

According to scheme guidelines, village-wise lists of households were to be prepared for implementation of the scheme by the Sub-Divisional Officers on the basis of survey. However, in the test-checked divisions, the estimates for implementation of the scheme and execution of the required works were to be prepared on the basis of Census 2001 in the initial stage. Subsequently, these lists were to be updated after identifying the beneficiaries at the village level. It was noticed that against 61,755 identified SC households in 494 villages, 84,551 water connections were provided in 12[38] divisions, resulting in 22,796 excess water connections in SC households. The possibility of providing connections to bogus beneficiaries could not, therefore, be ruled out. The expenditure involved in providing these excess connections was ₹ 6.39 crore.

The FCPS stated (July 2010) that the project was conceived on the basis of the 2001 census as no other data was readily available with the department. However, subsequently, on the basis of actual survey, the SC households were found to be more. The reply is not in consonance with the records as 22,796 connections were provided in excess of the final approved list of identified beneficiaries.

1.3.8.5 Irregular expenditure on GC households

As per the scheme guidelines, all GC households were required to get their water storage tanks fitted with taps and float valves, etc installed for getting private water connections. The connections from the distribution pipelines were to be taken by using ferrule of 6 mm and pipeline of 15 mm. The expenditure on these items was to be borne by the GC households themselves.

An expenditure of ₹ 94.94 lakh was incurred on providing water connections to GC households which was contrary to the scheme guidelines.

In PHE Division-II Sirsa, an expenditure of ₹ 94.94 lakh was incurred on providing and fixing ferrule connections to 17,180 GC households, contrary to the provisions of the scheme, as this expenditure was to be borne by the GC households themselves.

The EE of the division, while admitting the facts, stated (July 2010) that the expenditure on providing water connections to GC households was incurred in the initial stage of the scheme. It was also stated that no further expenditure was incurred on providing water connections to GC households after this was pointed out by Audit in August 2009. The fact remained that the division incurred an

[38] Ambala, Fatehabad, Gohana, Hisar-I, Jind, Kaithal, Naraingarh, Rohtak- II, Sirsa-I and II, Sonipat (D&P), Yamunanagar-II.

expenditure of ₹ 94.94 lakh on GC households from scheme funds which had not been refunded back to the scheme.

1.3.8.6 Administrative delays in award and execution of work

The department could not adhere to the codal provisions regarding the Action Plan/time schedules framed for execution of the sanctioned works. This led to dilution of the control and accountability mechanism, coupled with delays in implementation of the scheme. The following instances of delay in awarding of works were noticed:

In five[39] out of 19 test-checked divisions, contracts for 179 works were awarded after delays of three to 12 months. Further, 12 works were awarded after delays of more than one year from the dates of their administrative approvals during 2007-09. Out of these, 166 works (93 *per cent*) remained incomplete even after the lapse of 10 to 36 months of the scheduled dates of completion.

The EIC attributed (July 2010) the delays to the scattered nature of works, identification of new agencies for execution of works at the initial stage of the scheme, gaps in availability of infrastructure, etc. The contention of the EIC was not correct as there were substantial and significant delays in awarding and completion of works.

1.3.8.7 Execution of work without call of tenders

An expenditure of ₹ 63.12 lakh was incurred without calling tenders.

The department fixed (February 2008) a limit of ₹ 50,000 for execution of works through work orders without call of tenders. In four[40] out of 19 test-checked divisions, EEs executed works valuing ₹ 63.12 lakh under the scheme during 2007-10 by splitting sanctions through 148 work orders instead of open tenders, as a result of which, the benefit of competitive rates could not be availed of. These works were split up into three to six work orders and were allotted to the same contractors to avoid sanction of higher authorities and thereby undue benefits were extended to the contractors. The EIC replied (July 2010) that this was done initially to boost the new scheme and later on the proper procedure was followed. The reply, in itself, is an admission of facts. It was observed that the splitting of works continued even in the year 2009-10.

1.3.8.8. Handing over of operation and maintenance to Gram Panchayats

According to the scheme guidelines, the rural water distribution network was to be handed over to Gram Panchayats (GPs) for maintenance as well as collection of water charges. The revenue realised on account of water charges was to be retained with the GPs for maintenance of the water distribution networks.

Further, the Commissioner and Secretary to the Government of Haryana, Public Health Department requested (January 2007) the Financial Commissioner and Principal Secretary to the Government of Haryana, Development and Panchayat

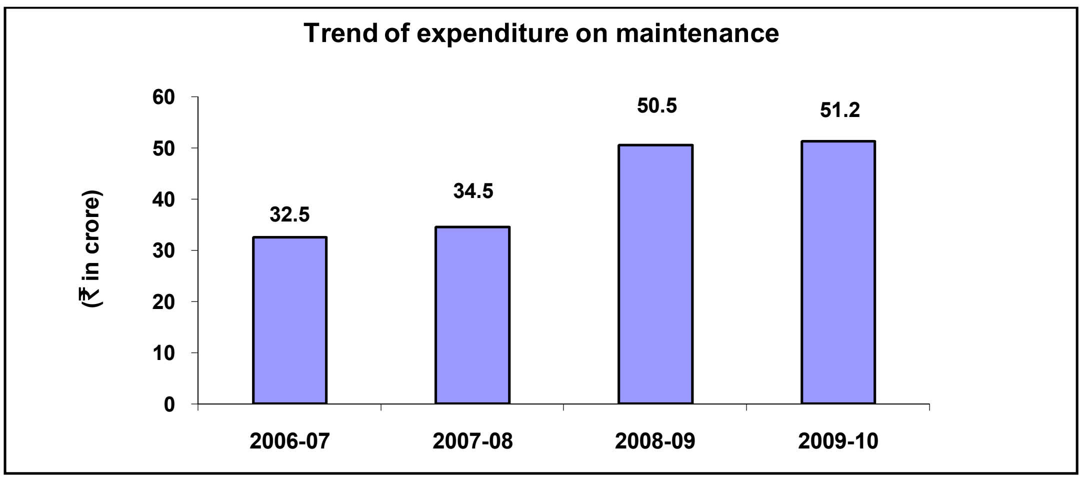
[39] Fatehabad, Gohana, Hansi, Jind and Sonipat-II.
[40] Gohana, Hansi, Sonipat (D&P) and Sonipat- II

Departments to issue instructions to District Development and Panchayat Officers and Block Development and Panchayat Officers to direct the GPs to take over the records of water connections from the Public Health Department and start collection of water charges along with arrears, if any. No instructions were, however, issued by the Panchayat Department till November 2009.

In test-checked divisions, water distribution networks of only 37 out of 2,504 villages were handed over to GPs.

In the test-checked divisions, 3.81 lakh[41] connections were provided during 2006-09 in 2,504 villages. Out of these, only 8,671 connections were handed over to 37 GPs by PHE Division II, Sirsa. The water charges from these connections were to be recovered by the concerned GPs but the same were not recovered by them.

The department continued to incur expenditure on repairs and maintenance of rural water distribution networks including infrastructure of those villages which were handed over to the GPs. As per the scheme guidelines, after handing over of water distribution networks to GPs, the expenditure on maintenance of drinking water networks was expected to get reduced. However, there was an increase in expenditure on maintenance of the water distribution system in the State as shown in the bar chart below.



Had the water distribution network been handed over to theGPs, the expenditure to that extent on maintenance could have been avoided.

During the exit conference, the FCPS admitted the fact that GPs had not been consulted for handing over the distribution networks to them for maintenance. The EIC intimated (July-2010) that the GPs were reluctant in the past to take over the maintenance of the water distribution systems. The fact remained that the department had not co-ordinated with the GPs and persuaded them effectively to take over the water distribution network.

41 SC: 3.41 lakh and GC: 0.40 lakh.

1.3.8.9 Non-levy of water charges

As per the scheme guidelines, monthly charges on account of private water connections were to be levied and collected from the GC and SC households at the rate of ₹ 20 and ₹ 10 per connection respectively by the department. However, the water charges were to be recovered by the concerned GPs in cases where the water distribution networks were handed over to GPs.

Non-levy of water charges led to loss of revenue of ₹ 8.50 crore to the Government.

In the test-checked divisions, 3.95 lakh connections were provided to GC and SC households in 16 urban areas and 2,504 villages of 14 districts. It was observed during audit that water charges were not levied on any of the households to whom the private connections were provided in rural as well as urban areas. The total amount of water charges due for the period April 2008 to March 2010 calculated as per at the prescribed rates per household, worked out to ₹ 8.50 crore.

While admitting the facts during the exit conference, the FCPS stated that the primary focus of the department was to achieve the main objective of the scheme to make drinking water available to GC and SC families by providing private water connections and not on collection of water charges. However, instructions had been issued to field offices to collect water charges. The reply is not in consonance with the provisions of the scheme guidelines as water charges were to be levied and collected from the households by the department. Thus, non-levy of water charges resulted in loss of revenue of ₹ 8.50 crore to the Government.

1.3.9 Stores management

1.3.9.1 Purchases

Financial Rules {Rule 15.2 (b)} provide that purchases must be made in a most economical manner in accordance with the definite requirements of public service and care should be taken not to purchase stores in advance of actual requirements.

PVC tanks worth ₹ 17.52 crore were purchased in excess of requirement.

As per the guidelines of the scheme, SC households were to be provided PVC water storage tanks of 200 litre capacity free of cost. It was observed that against the target of providing eight lakh connections, the department purchased 10.37 lakh tanks between May 2007 and July 2009 at a cost of ₹ 100.17 crore. However, only 8.55 lakh connections were actually provided during this period. Therefore, 1.82 lakh tanks worth ₹ 17.52 crore were purchased in excess of requirements by the department.

It was further observed that the PVC tanks were designed exclusively for storage of water. These tanks could be kept in the open for a period of one year. If storage beyond one year was required, the tanks were to be covered or kept in the shade to avoid exposure of their inner white layers to the sun. However, in 17 divisions, 69,819 PVC tanks costing ₹ 6.74 crore were lying in the open in storeyards for 13 to 20 months exposing them to the risk of deterioration in quality.

Photograph 1	Photograph 2
	
PVC tanks lying in open storeyard at PHED I, Hisar since July 2009.	**PVC tanks lying in open storeyard at PHED, Jind.**

GI pipes worth ₹ 6.68 crore were lying unused in 17 test-checked divisions.

Similarly, 91.12 lakh metres of GI pipes were procured at a cost of ₹ 54.78 crore between February 2007 and November 2009. It was noticed in 17[42] test-checked divisions that 59.97 lakh metre GI pipes were allocated by the EIC during 2007-09. Out of this, 48.83 lakh metre GI pipes were consumed in releasing water connections and 11.14 lakh metre pipes amounting to ₹ 6.68 crore were lying in stores (March 2010).

On this being pointed out (July 2009) in audit, the EIC stated (July 2010) that orders for purchase of material were placed as per annual targets. The reply of the EIC is not based on facts as purchase order of 10.37 lakh PVC tanks was made against the targets of providing eight lakh connections.

1.3.9.2 Material found missing

Material worth ₹ 6.97 lakh was found missing in PHE Sub Division-I, Panchkula.

In PHE Division, Panchkula (Sub-Division I, Panchkula), material such as composite pressure pipes, PVC water storage tanks, cement, etc. at site amounting to ₹ 6.97 lakh was neither carried forward in the Material-at-Site (MAS) register nor taken into account at a later stage. The said material was also not handed over by the Junior Engineer to his successor at the time of relinquishing his charge on his retirement in May 2009. This resulted in shortage of material of ₹ 6.97 lakh. On this being pointed out (January 2010) in audit, the EIC intimated (July 2010) that an inquiry had been initiated in the matter and suitable action would be taken against the concerned defaulting officials.

1.3.10 Impact of the scheme

The scheme was formulated with the objective of saving wastage of water costing ₹ 100 crore annually, being provided free of cost by the State through five lakh

[42] Ambala, Bhiwani-II, Fatehabad, Gohana, Hisar-I, Hansi, Jind, Narnaul, Naraingarh, Panchkula, Panipat, Rohtak-II, Rewari, Sirsa-I & II, Sonipat (D&P) and Yamunanagar-II.

public standposts. The status of removal of water standposts by various divisions was not maintained by the EIC.

Impact assessment of the scheme regarding preventing wastage of water from public standposts was not carried out.

Similarly, by providing 30 lakh private connections to all SC/GC households, employment opportunities were to be generated for about 20,000 persons in the private sector for installation and maintenance of water connections and levy and collection of water charges. Savings of mandays lost in drawing water from public standposts was anticipated. The department had not fixed any criteria to assess the impact of the scheme on these parameters. Only 28 *per cent* of the targeted private connections were provided. It was observed that the projections were made without any statistical information and therefore, the achievement of these objectives were limited.

During the exit conference, the FCPS stated that a survey would be conducted soon to assess the impact of the scheme.

1.3.11 Monitoring and evaluation

The EIC was responsible for monitoring the implementation of the scheme through progress reports from field units. A fortnightly progress report was prescribed for monitoring the progress of release of water connections to households. It was observed that the fortnightly progress reports received in the planning branch of EIC office from the field offices were not scrutinised. No remedial measures were taken on the various components/aspects of scheme to ensure improvement in the implementation of the scheme. It was further observed that providing of water connections in respect of SC households was being reported through the progress reports but progress in respect of GC households was neither reported nor monitored by the EIC office.

As per information provided by the EIC, no water supply connections had been provided to GC households since the inception of the scheme. However, during scrutiny of records of PHE divisions, it was observed that in nine[43] out of 19 test-checked divisions, 54,128 connections were released to such households during this period. The information furnished by the EIC was, therefore, not based on the records of field units.

The FCPS directed (July 2007) all the Deputy Commissioners (DCs) in the State to monitor the implementation of the scheme regularly on monthly basis at the district level and to provide feedback to him. Further, DCs were required to issue instructions to Block Development and Panchayat Officers (BDPOs) and Tehsildars to interact closely with the departmental officers for speedy implementation of the scheme. It was observed that monthly monitoring of the scheme at the district level by the DCs was not done and neither were any directions issued to BDPOs and Tehsildars.

[43] Fatehabad, Hisar-I, Kaithal, Panchkula, Rohtak-I and II, Sonipat (D and P) and Sirsa-I and II.

The FCPS stated in the exit conference that the progress of the scheme had been discussed by him and EIC with DCs during their visits to the field. However, it was observed in audit that no record of proceedings of these meetings were available.

1.3.12 Conclusion

The aim of the scheme was to motivate 30 lakh households to avail of the facility of private water connections in their houses, thereby saving wastage of water and the mandays lost in drawing water from standposts. The department emphasized the providing of connections to SC households, but did not persuade GC households to avail of the facility of private water connections due to which the achievement in respect of providing connections to GC households was negligible. As a result, only 33 *per cent* standposts could be removed in the test-checked divisions. Thus, the aim of the scheme of saving wastage of water could not be fully achieved. Besides, there were cases of providing of connections in areas without distribution networks and insufficient raw water for distribution. Water distribution networks of only 37 out of 2,504 villages in the test-checked divisions were handed over to Gram Panchayats for operation and maintenance. Water charges amounting to ₹ 8.50 crore were neither levied nor collected from the households to make the water distribution system self-reliant and economically viable. No mechanism to assess the impact of the scheme on water conservation and saving of mandays had been evolved by the department.

1.3.13 Recommendations

- Specific targets of GC households should be allocated amongst the divisions for achieving them within a proper time frame.
- The department should provide private water connections after ensuring availability of water.
- The department should co-ordinate with Gram Panchayats for handing over of rural distribution networks to them for operation and maintenance as well as levy and collection of water charges.
- The department should evolve a proper mechanism to assess the impact of the scheme on water conservation and saving of mandays.

During the exit conference, the Financial Commissioner and Principal Secretary to the Government of Haryana, Public Health Engineering Department agreed to implement the recommendations in the near future.

Town and Country Planning Department

1.4 Information Technology Audit of Computerisation of Haryana Urban Development Authority

Highlights

The Haryana Urban Development Authority (HUDA) is engaged in planned development of urban areas in the State. It undertakes development of land after the same is acquired by the Government for specific land use such as residential, commercial and industrial in accordance with the development plans of particular areas. In October 2005, HUDA entered into an agreement with Tata Consultancy Services (TCS) for designing and developing a web-enabled application software at a cost of ₹ 97.40 lakh. The software had two modules, namely, the Plot and Property Management (PPM) and the Financial Accounting System (FAS). Information technology audit of these two mission critical modules was conducted to evaluate the performance and effectiveness of IT applications and general controls of the computerised set-up. Some important findings of the audit are given below:

Due to inadequate validation checks in the software, against actual receipts of ₹ 8.24 crore in respect of 1,148 cases, ₹ 17.45 crore was posted in the allottee ledger accounts.

(Paragraph 1.4.7.4)

Uploading of receipts in the allottee ledgers without proper validation resulted in uploading of the same draft more than once in 74 cases.

(Paragraph 1.4.7.5)

A fictitious name of a bank was created only to adjust the net unreconciled difference of ₹ 3.57 crore between withdrawals amounting to ₹ 19.93 crore and deposits amounting to ₹ 16.37 crore appearing in various saving/current bank accounts of the HUDA.

(Paragraph 1.4.8.6)

Suspected embezzlement of ₹ 2.10 lakh was observed in Horticulture Division due to non-reconciliation of accounts and non-segregation of duties.

(Paragraph 1.4.8.7)

Slow progress of implementation had not only resulted in delays in achieving the intended objectives but also in cost overruns.

(Paragraph 1.4.9.2)

1.4.1 Introduction

The Haryana Urban Development Authority (HUDA), constituted in April 1977 through an Act of legislature, is engaged in the planned development of urban areas in the State. It undertakes development of land after the same is acquired by the Government for specific land use such as residential, commercial and industrial, in accordance with the development plans of particular areas.

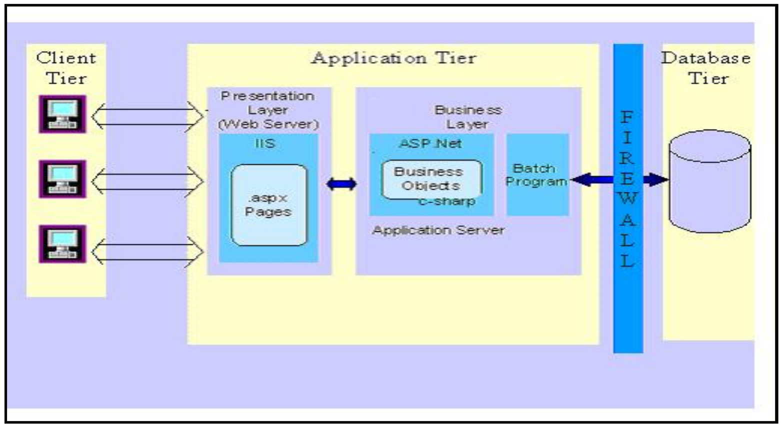
Keeping in view the enormity of transactions, computerisation of HUDA was envisaged by the Information Technology Planning, Re-engineering, Implementation, Steering and Monitoring Cell (IT PRISM) in its meeting in March 2001. HUDA entered into an agreement with Tata Consultancy Services (TCS) in October 2005 for designing and developing a web-enabled application software.

1.4.2 Organisational set up

The Financial Commissioner and Principal Secretary (FCPS) to the Government of Haryana, Town and Country Planning Department is responsible for formulation of policies and programmes relating to urban development and their implementation. HUDA is headed by a Chief Administrator (CA), who is assisted by five Zonal Administrators, located at Faridabad, Gurgaon, Hisar, Panchkula and Rohtak and one Administrator stationed at Headquarters. The entire State is divided into 29 urban estates. The various activities of HUDA are discharged through 12 wings, each reporting to the Chief Administrator. Some of the important wings are the Engineering Wing (Civil, Electrical and Horticulture divisions in the field), Finance Wing, Town Planning Wing, Information Technology Wing, Land Acquisition Wing, etc.

1.4.3 Application architecture of modules

The software has been developed in the Structured Query Language (SQL) with visual studio as the front-end tool, at a cost of ₹ 97.40 lakh. The software has two modules, namely, Plot and Property Management (PPM) and Financial Accounting System (FAS). While the PPM module was operational in all the units of the HUDA on 31 March 2010, the FAS module was operational only at Panchkula. The web-based architecture of the application is depicted in the following diagram:



HUDA – PPM and FAS application architecture

1.4.4 Audit objectives

Information Technology Audit of HUDA was conducted to:

- review the core objectives of the computerisation viz. increased transparency in the property management and financial accounting system;
- analyse the data for completeness, integrity, reliability and accuracy;
- evaluate the adequacy and effectiveness of security controls built into the system to make it reliable;
- ensure that the computerised system was designed to take care of all business rules, policies and procedures being followed in the manual system.

1.4.5 Audit criteria

The audit objectives were evaluated against the following criteria:

- The Haryana Urban Development Authority Act, 1977;
- Agenda and minutes of IT PRISM; and
- Generally accepted IT best practices.

1.4.6 Scope and methodology of audit

The head office and five[44] divisions located at Panchkula, where the module was operational for the last three years, were selected for detailed analysis of the FAS

[44] HUDA Construction Division 1, 2 and 3, Panchkula, Horticulture Division, Panchkula and Electrical division, Panchkula

module. For analysing the PPM module, seven[45] Estate Offices were selected. Selection of Estate Offices was made on the basis of inconsistencies in data noticed during the pilot study.

Data generated by the PPM and the FAS modules was analysed using a computer-assisted audit technique called IDEA. The IT controls were evaluated against best practices of IT governance by scrutiny of records maintained at headquarters and selected divisions. An entry conference was held in March 2010 with the FCPS and the CA to discuss the audit objectives, scope and methodology. An exit conference was held in August 2010 with the FCPS and the CA in which the audit findings were discussed. Replies to audit findings furnished during the exit conference and the views of the officers of the HUDA were taken into consideration while finalising the performance audit report.

1.4.7 Plot and Property Management Module

The Plot and Property Management (PPM) module was designed to feed all the information relating to allottees from the plot files. The objective was quick reporting of plot inventory and reconciling allottee information by automatic calculation of dues, enhancements and reconciliation of accounts. The system aimed to provide:

- efficient and quick service to all users;
- controlled access to sensitive data;
- flexibility to accommodate future needs;
- extensive management control;
- a convenient and effective information system and
- reduction in manual efforts in terms of information maintenance and report generation.

Audit findings

The data captured through the PPM module was critical and crucial as it mainly related to payments received from allottees, interest on delayed payments, calculation of dues, issue of notices to defaulters, etc. Further, no manual records for capturing these details were being maintained. The magnitude of the transactions can be gauged from the fact that in the year 2008-09, income on this account was ₹ 2,292.54 crore.

Keeping in view the sensitivity of data, it was important that the IT application used by the HUDA had adequate inbuilt controls to ensure that the data entered was genuine, complete, valid, accurate and duly authorised. Analysis of data

[45] Ambala, Bahadurgarh, Faridabad, Gurgaon-1, Gurgaon-2, Hisar, and Panchkula

pertaining to electronic allottee ledgers revealed absence of input controls leading to storage of incomplete and inaccurate data rendering the database and associated information unreliable as discussed in the following paragraphs:

1.4.7.1 Data entry in PPM

In 14,977 cases, names of the banks issuing drafts were either not there or invalid. The total receipts in these cases amounted to ₹ 77.33 crore. In 749 cases, bank draft numbers had not been entered. The total receipts in these cases amounted to ₹ 4.38 crore.

As on 31 March 2010, data from 1,44,140 plot files out of a total of 2,54,816 plot files had been entered into the PPM module. Out of 1,44,140 plot files, vital details of payments received from allottees like names of banks, bank draft numbers, payment schedules, etc. were not captured in 77,453 cases. Data analysis of the remaining 66,687 files revealed that data pertaining to payments received from allottees in the PPM module was incomplete and inaccurate as detailed below:

- In 14,977 cases, names of the banks issuing drafts were either not there or were invalid. The total receipts in these cases amounted to ₹ 77.33 crore.
- In 749 cases, bank draft numbers had not been entered. The total receipts in these cases amounted to ₹ 4.38 crore.

During the exit conference, the FCPS stated (August 2010) that Estate Offices would be instructed to verify these payments before issuance of no due certificates to allottees.

1.4.7.2 Inaccurate data in the field 'date of payment'

The 'date of payment' is a key field and data in this field should be accurately and compulsorily entered as calculation of penal interest on account of delays in making payments is to be done on the basis of this field. Data analysis revealed 'nil' and invalid dates like 4 February 4985, 22 June 2207, etc. in a number of cases, which undermined the reliability of the computerised system, particularly in cases where this field was required for calculation of dues.

The CA stated (August 2010) that a validation check had now been introduced in the system to ensure that the dates of payment were between the dates of allotment and the system dates. The reply is not tenable as the inaccuracies existing in the data before introduction of the validation check had not been rectified.

1.4.7.3. Unique ID to sectors and plots

HUDA develops urban estates by dividing the total area of the urban estate into sectors, which are further divided into plots of land, areas for parks, roads, etc. The software has the provision to enter data of sectors and plots by allotting unique IDs to sectors and plots. Data analysis revealed that the data regarding sectors and plots entered into the PPM module of the software was neither complete nor accurate as detailed below:

- Sector masters were incomplete as the total number of plots, areas for parks, roads, encroachment, etc. had not been properly entered. For instance, in Estate Office (EO), Faridabad, as per the initial records in three sectors, 11.70 acres of land was under encroachment but as per the Sector master, no area had been shown to be under encroachment.

As the data pertaining to sectors and plots was unreliable, the objective of quick plot inventory through the software could not be achieved.

- In Estate Office, Panchkula, five plot IDs had been assigned for two school sites of Doon Public School in Sector 21, Panchkula. There was intermingling of receipts in these five plot IDs and the actual payments received from the school *vis-à-vis* the amounts outstanding were not ascertainable from the software.
- There was no validation check to ensure that the sector area did not exceed the area acquired. Data analysis revealed that in 10 urban estates, the total area acquired was 95.29 crore sqm. whereas the total sector area as per the Sector master was 8,318.70 crore sqm. In six urban estates, the area acquired was shown as zero but as per the table plot detail, plots had been allotted.
- It was also observed that plot IDs had not been assigned in a sequential manner. There were 19,989 gaps in the plot IDs.

As the data pertaining to sectors and plots was unreliable, the objective of a quick plot inventory through the software could not be achieved.

The CA, while admitting the facts, stated (August 2010) that necessary guidelines had been issued to all the Estate Offices to enter complete and accurate data in the Sector master.

1.4.7.4 Payments received from allottees ledgers

Data analysis revealed that historic data of PPM, digitised by the banks and uploaded in the web-site of HUDA, was not reliable after cent *per cent* checking by a Chartered Accountant and 20 *per cent* random checking by the staff of HUDA. There was no validation check to ensure that cheques bearing the same numbers and dates and issued by the same bank were not entered more than once, which led to the following inconsistencies:

- In 1,148 cases, one bank draft was entered more than once in the software. Against the actual receipt of ₹8.24 crore in these cases, ₹ 17.45 crore had been posted in the allottee ledgers.

Absence of validation checks resulted in excess credit of ₹ 9.21 crore to the allottees.

- In 392 cases, duplicate entries were made against the same allottee. In 757 cases, a draft received from one allottee was credited in the accounts of more than one allottee. In 128 out of 757 cases, drafts deposited by allottees residing in particular residential sectors of one urban estate had also been credited in the accounts of other allottees of similar sector in different urban estate.

Thus, lack of proper validation checks resulted in excess credit of ₹ 9.21 crore to the allottees.

While analysing the reasons for these discrepancies, it was observed that the objectives of inviting limited tenders from scheduled banks for digitization of plot files to utilize the professional competence of banks and to keep away smaller companies was defeated as the banks had outsourced[46] this work further to smaller companies. The Estate Officer-2, Gurgaon intimated (June 2008) to the Chief Administrator, HUDA that the bank was not supervising the work properly and the company engaged by HDFC for the digitising work had deployed unqualified staff. However, no action was taken by the Management. Further, instead of entering the data through the software, these companies designed their own input data screens resulting in inconsistencies in data as discussed in paragraphs 1.4.7.1 to 1.4.7.4 *ibid*.

Existence of double credits in the computerised allottee ledgers.

It was also noticed that out of 1,148 cases, 302 cases pertained to Estate Office, Panchkula which was taken as a pilot project. Non-detection of these errors and non-strengthening of input controls before replicating the software at other locations resulted in similar errors in other Estate Offices. Further, updated manual allottee ledgers were not available in any of the test-checked Estate Offices. Due to non-availability of the manual allottee ledgers, the data was posted from plot files. File management was poor as original receipts in these cases were appended in wrong files. Plot files to which the receipts actually pertained were subsequently completed by appending attested photocopies of the receipts submitted by the actual allottees. Data Entry Operators credited these receipts in the name of two allottees separately without verifying the details, thereby resulting in double accounting. In Estate Office, Hisar, it was noticed that Oriental Bank of Commerce had given two receipts in lieu of one draft. Both receipts were entered in the allottee ledger resulting in double accounting.

Excess credit in the computerised allottee ledgers was accepted (May 2010) by three[47] out of the seven test-checked Estate Offices. No response was received from the remaining four test-checked EOs.

Existence of double credits in the computerised allottee ledgers cast doubts on the credibility of data and was fraught with the risk of loss of revenue to HUDA.

The CA stated (August 2010) that 392 duplicate entries against the same allottees had been corrected by deleting the extra entries and the remaining cases, where one demand draft had been entered in the accounts of more than one allottee, corrections would be carried out after getting them verified from different Estate Offices.

1.4.7.5 Allottee ledgers

It was envisaged that once the process of digitization of historic data was complete, subsequent receipts would be uploaded daily by obtaining flat files from the nodal bank. Analysis of data revealed that uploading had not been

[46] Axis bank outsourced the work to G.S. Infotech; HDFC to CBSL ltd

[47] Bahdurgarh, Hisar and Ambala

started in 10[48] urban estates as of March 2010, thereby resulting in non-updating of allottee ledgers. Analysis of this data in the Estate Offices where PPM had been started without implementing FAS revealed following deficiencies:

- **Linkage between PPM and FAS modules**

The PPM and the FAS are integrated modules. However, it was observed that both these modules were implemented in Estate Office, Panchkula only. At all other locations, the PPM module was started by uploading receipts in allottee ledgers from the flat files furnished by banks without implementing FAS with the result that there was no correlation of the uploaded amounts totaling ₹ 48.51 crore credited in the allottee ledgers up to March 2010 with the amounts actually received as per the computerised cash book.

In Estate Office, Panchkula, where FAS was operational for the last three years, vouchers in respect of receipts amounting to ₹ 8.77 crore pertaining to the period from 10 April 2007 to 17 March 2010, uploaded through flat files, had not been reflected in FAS. The cumulative difference of ₹ 275.15 crore between the closing balance of cash as per the computerised bank book and the manual bank book as discussed in paragraph 1.4.8.5 is indicative of the fact that PPM receipts had been credited more than once in the allottee ledgers and were not being linked with FAS.

Further, no hierarchy had been provided in the software for checking the uploaded data at different levels. The flat files were uploaded by System Analysts using user_ids without verification by other officers.

The CA stated (August 2010) that vouchers of receipts amounting to ₹ 8.62 crore had been located and would be captured in the system within one month.

- **Double upload of same receipt through flat file**

Uploading of receipts in allottee ledgers by using records from banks without validation resulted in uploading of the same draft more than once in 74 cases, involving receipt of ₹ 70.86 lakh.

Analysis of data pertaining to daily receipts being uploaded in the allottee ledgers through flat files prepared by banks revealed that in 74 cases involving receipt of ₹ 70.86 lakh, the same draft had been uploaded more than once in the allottee ledgers.

While analysing the reasons for these discrepancies, it was observed that the banks did not link the amounts received as per the scrolls with the amounts included in the flat files with the result that one draft was included more than once in the flat files by showing different payment memos or payment dates. Instances were found where payments received through the same payment_memo and date had been credited in the accounts of more than one allottee.

Since the payment memo number was a system-generated auto number, double generation of payment memo numbers and changes of dates was indicative of the

[48] Bhiwani, Dharuhera, Fatehabad, Gohana, Hansi, Hathin, Meo, Narnaul, Palwal, Rozka and Shahbad

fact that the uploaded amounts was prone to tampering. The Management may consider real time uploading instead of collecting data in the form of flat files. Suitable changes in the software were also required so that drafts bearing the same number and date and issued by the same bank were not uploaded twice.

During the exit conference, the FCPS viewed (August 2010) the double upload of same receipt seriously and instructed the CA, HUDA to initiate disciplinary action against the officials who did not tally the amounts entered in the scroll with the uploaded amounts.

1.4.7.6 Penal interest

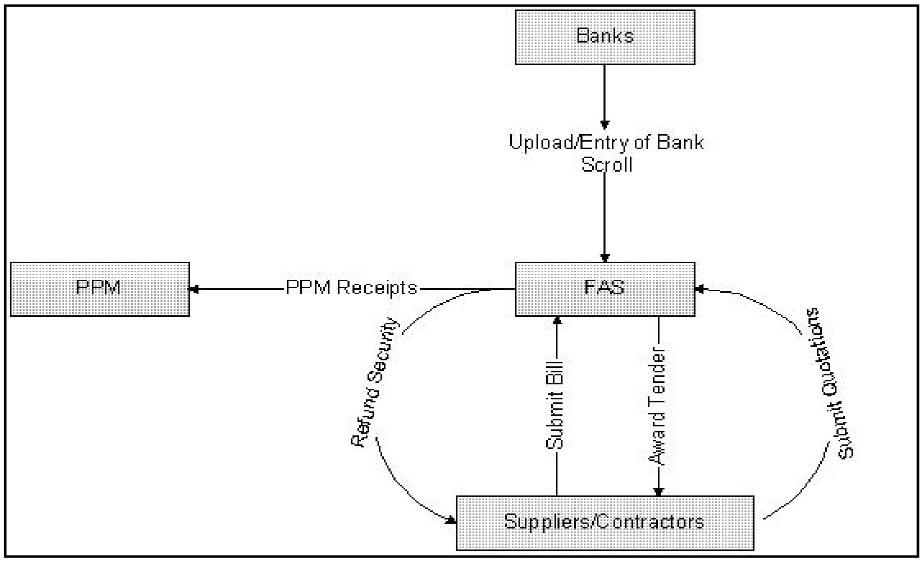
Data analysis revealed that in 2812 cases, a sum of ₹ 11.13 crore had been shown as waiver.

The PPM module had been designed to calculate the penal interest automatically on the basis of rates given in the PPM_interest rate master. However, the module was deficient in calculating penal interest in the cases attracting special rates of interest as per court decisions. For instance, the Supreme Court, in the case of *Roochira Ceramics vs. Haryana Urban Development Authority, 2001 HRR 97, the SC* ordered that if an allottee defaulted in payment of an instalment, HUDA was entitled to charge interest at the rate of 10 *per cent* only. Rates given in the interest rate master were 18 *per cent* during the period 15 January 1987 to 3 April 2000, 14 *per cent* from 15 November 2002 to 31 May 2005, 12 *per cent* from 1 January 2006 to 3 January 2009 and 15 *per cent* from 4 April 2009 onwards. This resulted in an increase in the number of litigation cases. Calculation of interest in these cases was being done manually and the differences between interest calculated manually and interest calculated by software was shown as a waivers. Data analysis revealed that in 2812 such cases, a sum of ₹ 11.13 crore had been shown as waivers. No trail of interest charged and details of calculations were available in such cases, which defeated the purpose of computerisation.

The CA stated (August 2010) that calculations were available in the files and the necessity to computerize the same would be examined. The FCPS, however, stated during the exit conference that he was not in favour of automatic calculation of penal interest in such cases as manual intervention in such cases was necessary to have a proper control.

1.4.8 Financial Accounting System module

The Financial Accounting System module deals with preparation of all account books, generation of final accounts, reconciliation of funds, preparation of budget, monitoring of loans, entry of bills and their payments, etc. The following diagram illustrates the data flow into FAS and its linkage to PPM:



The module was aimed to achieve the following objectives:

- Entry of bills at various divisional offices;
- Payments to contractors through cheques;
- Preparation of Day Books, General/Subsidiary Ledgers, Trial Balances, Income and Expenditure Accounts and Balance Sheets. Monthly Accounts would be easily available through the Trial Balances.
- Reconciliation of funds:
  - released by the head office to various Estate and Executive Engineer (XEN) Offices providing details of head office-wise matched/unmatched and unit-wise matched /unmatched entries.
  - disbursed by each Drawing and Disbursing Officer (DDO) with bank statements providing details of DDO-wise matched /unmatched entries and bank-wise matched /unmatched entries.
  - received in the office with the receiving banks' statements.
- Preparation of Budget:
  - Budget estimates of the receipts and expenditure of the current financial year at HO level, XEN Office level and estate office level.
- Monitoring of loans.

Data analysis and scrutiny of various records of HUDA revealed that the IT controls in the FAS module were deficient as discussed in the succeeding paragraphs.

1.4.8.1 Codification of heads of accounts

In the software, General Ledger (GL) codes were designed to capture expenditure and receipts under various heads such as salary, maintenance, etc. Subsidiary

Ledger (SL) codes were designed to capture details of expenditure/receipts under each GL code. The software consolidated and aggregated these figures and generated a trial balance which was used to generate the final accounting statements like balance sheets and income and expenditure statements. For the final accounting statements to present a true and fair view of the financial position of the HUDA, it was necessary that each item of expenditure/receipt was properly classified and captured. Analysis of data revealed that the method used to assign codes to various heads of expenditure/receipt was not scientific as elaborated below:

- No distinction had been made between capital and revenue heads.
- More than one GL code was assigned to capture expenditure under a particular head of account. For instance, three GL Codes viz., 400074, 400079 and 400080 had been assigned for capturing conversion charges. Similarly, GL Code 400006 and 400060 were assigned for capturing expenditure on maintenance works.

The CA stated (August 2010) that some heads were not operative and had been deleted.

- Rights to create SL codes were given to field offices resulting in multiplicity of codes. Analysis of table Contractor/Supplier master revealed that in 31 cases more than one code had been assigned to 15 firms.

The CA, HUDA stated (August 2010) during the exit conference that hereafter, these rights would be restricted to the Zonal Administrator level.

- SL codes were also found to be arbitrarily assigned. For instance, instead of capturing contractor-wise details of receipt and refund of earnest money, 16 SL codes were assigned to reflect lump sum entries to account for earnest money with the result that there was no trail of receipts and refund of earnest money in these cases.
- A brief narration of the objects of expenditure/receipt is given in the field SL_description. However, in 10 cases, SL_description was shown as ABC or ABC of HQ.
- Against the sanctioned strength of 7,038 field staff in 45 categories like fitters, sweepers, *malis*, sewer-men, etc., 6,087 regular employees were on the rolls as on 31 March 2010. No GL or SL code had been assigned to capture expenditure on salary of this staff. The expenditure was being booked against different works by divisions with the result that actual expenditure on the salaries of field staff was not ascertainable from the accounts. Due to the shortage of manpower in these categories, the organisation had to resort to get these works done through contractors by inviting quotations. However, it was observed that there were no identified sectors with shortage of manpower requiring work to be done through contractors. As a result, the expenditure incurred towards these maintenance works through contractors as well as salaries to the regular staff was not being monitored.

- As the calling of tenders is required for works exceeding ₹ 20,000, data analysis revealed that in five construction divisions located at Panchkula, the expenditure on individual works was kept below ₹ 20,000 in 3,332 cases involving a sum of ₹ 5.02 crore during the period April 2007 to 23 March 2010, thereby avoiding the tendering process. The expenditure of ₹ 5.02 crore included ₹ 18.32 lakh on works which were unverifiable such as cleaning of sewers, etc. Also, considering the fact that embezzlement of ₹ 1.84 crore on such type of works was reported (November 2009) in Division IV, Faridabad, proper codification to capture the exact expenditure on establishment and works needed to be done to reduce such risks.

The CA stated (August 2010) that the fraud at Faridabad occurred due to some other reason which had no relevance with FAS. The reply is not acceptable as the embezzlement occurred due to weak internal control with regard to the deployment of regular field staff and non-tracking of work done on contract basis without calling for tenders.

1.4.8.2 Estimate Report not designed properly

The software generates an 'Estimate Report', the primary objective of which is to monitor the financial progress of works being carried out by HUDA. It was observed that this report was not designed properly, due to which its effectiveness for monitoring certain key parameters of a particular work got diluted as discussed below:

- The Estimate Report generated through the software did not calculate the correct expenditure incurred on works in a particular year. In three test-checked construction divisions, there was a difference of ₹ 2.76 crore in the figures pertaining to the expenditure incurred on various works in the year 2009-10, calculated by the software, with the actual expenditure shown in the accounts ***(Appendix 1.6)***.

- Cumulative expenditure incurred on a particular work since inception was also not ascertainable from the estimate report as the software was depicting expenditure of the previous year only.

- The Estimate Report did not facilitate summary of expenditure incurred against an estimate at one place as the grouping was done on the basis of the work code and not on the basis of the estimate code. Data analysis revealed that in 534 cases, expenditure against estimates had been depicted at more than one place.

The CA stated (August 2010) that the estimate-wise and work-wise details of differences in amounts were available and the same would be corrected.

1.4.8.3 Generation of trial balance

The software provides the facility of generating trial balances *(i) for a given period (ii) as on month and (iii) as on date.* For preparation of a balance sheet, the trial balance should reflect the cumulative figures in respect of capital heads and figures for the current year only in respect of revenue heads. Analysis of the trial balance generated through the FAS module of the software revealed the following:

- If the option, *as on month* or *as on date* was selected, the software calculated the cumulative balance of all the heads, irrespective of capital heads or revenue heads.
- On the other hand, if the option *for a period* was selected, the software calculated the cumulative figures of that period for all heads, irrespective of capital heads or revenue heads.

The trial balances being generated by the software were, thus, based on incorrect accounting assumptions. This seriously undermined the credibility of the final accounts prepared by HUDA.

In the exit conference, the CCF, HUDA assured (August 2010) that the first two options would be disabled and thereafter, the cumulative balances of all the capital heads would be worked out and depicted in the trial balance for the year 2009-10 onwards. The reply is not acceptable as due to improper codification of heads of accounts and non-adoption of opening balances, correct figures of capital heads cannot be arrived at.

1.4.8.4 No provision for calculating profit

For the purpose of calculating income, HUDA recognizes a sector as the basic unit. HUDA was following the 'Completed Contract Method' for revenue recognition and was capitalising all receipts received as a result of auction of commercial sites and other such proceeds from a sector till its completion. HUDA considers that a sector is completed in 10 years. Profit on the sale of plots, as such, is booked after 10 years. No provision had, however, been made in the software to calculate profit on this basis. This calculation was, therefore, being done manually. Thus, the objective of computerizing the entire process of generation of final accounts got defeated.

During the exit conference, the CCF, HUDA stated that preparation of the module to generate profit and loss was under process and the same was expected to be implemented before March 2011.

1.4.8.5 Incorrect figures under various heads of expenditure and receipts

The FAS module of the software was made operational in Estate Office, Panchkula in the year 2007 by adopting opening balances of cash in hand and cash at bank. Opening balances of other GL heads like stores, earnest money, advances to suppliers, advances to employees, etc, had, however, not been captured in the FAS module (March 2010). The opening balances in these heads were taken as 'Zero' with the result that cumulative figures in respect of these heads as shown by the software were inaccurate and did not present the true picture of the financial position of HUDA.

The data analysis revealed wide variations in the closing balances of cash at bank (as on 31 March 2010) as per the computerised cash book generated by the software and the manual cash book maintained in test-checked offices which undermined the credibility of the software as discussed below:

- In Horticulture Division, Panchkula, the closing balance as per the software was ₹ 4.26 crore whereas as per the monthly account, it was ₹ two crore.
- In Estate Office, Panchkula, the closing bank balance as per computerised accounts was ₹ 275.76 crore, whereas ₹ 0.61 crore was appearing in accounts.
- In Electrical Division, Panchkula, cash at bank as per the software was shown as ₹ 39,44,848 and cash as per monthly account was ₹ 40,39,056 which indicated shortage of cash of ₹ 94,208 which was not reconciled.

The CA stated (August 2010) that the opening balances as on 1 April 2009 in respect of Panchkula circle had been taken and in respect of other offices, the opening balances would be taken and entered in the system shortly.

1.4.8.6 Creation of a fictitious bank account at Head Office, Panchkula

A fictitious name of a bank had been created to adjust the net unreconciled difference of ₹ 3.57 crore.

Analysis of data at the head office at Panchkula revealed that under GL Code 100007 (Cash at bank) and SL Code 74 (Name of bank), name of a fictitious bank called 'BRS bank' was entered. It was found that the net difference of ₹ 3.57 crore between unreconciled withdrawals amounting to ₹ 19.93 crore and unreconciled deposits amounting to ₹ 16.37 crore appearing in various savings/current bank accounts of HUDA was shown under this head. The details of these withdrawals and receipts were not available with HUDA. Existence of such a bank account in the software could result in serious financial irregularities and wrong depiction of the bank position.

The CA stated (August 2010) that the old outstanding entries had been located and reconciled and would be fed in the computer system through FAS. However, details of the adjusted amount were not made available to Audit.

1.4.8.7 Suspected embezzlement due to non-segregation of duties

Suspected embezzlement of ₹ 2.10 lakh was facilitated in Horticulture Division.

The data analysis revealed that there was no segregation of duties for voucher entry, voucher approval and payment authorization. In Horticulture Division, Panchkula, suspected embezzlement of ₹ 2.10 lakh was facilitated due to non-segregation of duties, non-scrutiny and non-validation of money received for crediting into the accounts of HUDA by the Drawing and Disbursing Officer as discussed below:

a) Data pertaining to receipts on account of sale of tender and earnest money from contractors in the computerised cash book under the GL code 300039 was incomplete. In nine cases, a total amount of ₹ 28940 received during the period between October 2008 and June 2009 was neither entered in the manual cash book nor in the computerized cash book, resulting in suspected embezzlement of this amount.

b) In three cases, against the actual amount of ₹ 51,950 received during the period between June 2008 and March 2009, ₹ 34,450 was accounted for in the manual cash book pointing towards suspected embezzlement of ₹ 17,500. Since cash books of sub-divisions was maintained manually, this amount could not be correlated with the computerised cash book.

c) Whereas cash-in-hand as on 30 June 2009 as per the manual cash book was ₹ 1,63,938.40, opening balance on 1 July 2009 was incorrectly adopted as ₹ 1,13,938.40, resulting in possible embezzlement of ₹ 50,000.

d) Cash in hand after 1 July 2009 was consistently shown in the monthly accounts as ₹ 1,13,438.40 whereas as per the charge report given (8 January 2010) by previous incumbent only 40 paise was lying in the chest, resulting in embezzlement to that extent.

Thus, suspected embezzlement of ₹ 2.10[49] lakh took place due to failure of the Drawing and Disbursing Officer to exercise codal checks prescribed in the Financial Rules for maintenance of accounts electronically or manually. In addition, contrary to the codal provisions which, *inter alia,* prescribe that money collected should be deposited in the bank daily or at the most in the next working day, cash-in-hand with the cashier ranged between ₹ 9,533.40 in April 2007 to ₹ 6,12,038.40 in May 2009, resulting in temporary misappropriation of this amount.

Further, totalling of the manual cash book/bank book had not been done from 30 June 2009 till March 2010. Totalling prior to this period was done by erasable pencil and not authenticated by the DDO. Reconciliation with the bank had also not been done.

The CA stated (August 2010) that an inquiry would be conducted to investigate the embezzlement.

1.4.8.8 Transactions with contractors

One of the stated objectives of computerisation was to keep a watch over the transactions of HUDA with the contractors carrying out various works. Data analysis revealed that in 224 out of 1,105 cases, dummy entries instead of the PAN numbers of contractors were made in this field. In the absence of PAN numbers, it was difficult to track income tax deducted from payment to contractors. PAN numbers should be made a mandatory field and proper

---

[49] Sub para (a): ₹ 28,940; Sub para (b): ₹ 17,500; Sub para (c): ₹ 50,000; Sub para (d): ₹ 1,13,938.

validation checks should be put in place to ensure that dummy data is not entered in this field.

In Construction Division -2, Panchkula, an advance of ₹ 1,24,84,800 given to M/s Gujarat Ambuja in the month of June 2007 was classified under the General Ledger (GL) Code 100012 (Advances to suppliers) and Subsidiary Ledger (SL) Code 489. Subsequent payments amounting to ₹ 2,90,61,278 and supplies worth ₹ 3,76,04,300 were, however, classified under GL code 200018 (Sundry Creditors) and SL Code 489. Thus, as per the FAS module of the software, an amount of ₹ 1,24,84,800 was shown as outstanding against the firm since June 2007. The actual position could not be ascertained as subsidiary ledgers were not maintained manually.

The CA stated (August 2010) that field offices had been instructed to change the dummy PAN numbers and adjustment of the advance of M/s Gujarat Ambuja would be made under the proper head of accounts.

1.4.9 Issues relating to implementation of the computerisation project

Computerisation of HUDA was an ongoing project. Scrutiny revealed that weak monitoring of the project adversely impacted upon its effectiveness as discussed in the succeeding paragraphs.

1.4.9.1 Key features of software not being used

Data analysis revealed that many key features of the software were not being used as detailed below:

- There was a provision in the FAS module of the software to generate balance sheets and profit and loss accounts. However, it was not used with the result that these statements were prepared manually in MS Excel.

During the exit conference, the CCF, HUDA intimated (August 2010) that the module to generate balance sheets was under examination and the same was expected to be implemented before 31 March 2011.

- The database was designed to keep a track on funds kept in term deposits. Data analysis revealed that as on March 2010, as per this table, an amount of ₹ 8,168.84 crore was deposited in term deposits of various banks. All these term deposits were shown as active. However, no details were entered regarding the term deposits encashed, amounts realised, renewed, etc with the result that these term deposits could not be tracked.

- The database was designed to store details of parties from whom land was acquired and the land acquisition court cases in which details of enhanced compensation to be paid were to be entered. These tables had not been operationalised, with the result that there was no control over land payments and payments made by Land Acquisition Officers on behalf of

HUDA. Thus, there was no way to monitor delays in making payments which could lead to avoidable payment of interest. Monitoring total awards *vis-à-vis* payments made against the awards could also not be done through the software. It was further observed that due to inadequate control over payments, a sum of ₹ 62.97 crore was attached as per orders of courts (March 2009).

During the exit conference, the CCF, HUDA stated that in the design phase of the application, there was provision to enter land acquisition details. However, when the system became live, it was observed that complete functionality was required for the automation of the LAO office which was not in the scope of work. The reply is not acceptable as even without automation of LAO, details could have been collected and entered in the module.

1.4.9.2 Delay in implementation leading to cost overrun

Computerisation was to be done in three phases at a cost of ₹ 22.98 crore. In the first phase, the software was to be made operational at pilot sites viz; Panchkula and Gurgaon from October 2006 and December 2006 respectively. In second phase, it was to be made functional in Hisar, Rohtak, Sonipat, Panipat, Faridabad, Karnal and Bahadurgarh Urban Estates from April 2007. In the third phase, the software was planned to be made operational throughout the State in all the Estate Offices and Divisions from July 2007.

Slow progress of implementation had not only resulted in delay in achieving the intended objectives but also in cost overrun.

It was observed that the software had been fully implemented in Panchkula only. The PPM module had been partially implemented in all the urban estates from January 2010 by making some of the sectors online after digitising the historic data. As of 31 March 2010, against the agreement cost of ₹ 26.38[50] crore, payment of ₹ 13.85 crore had been released. The slow progress of implementation had not only resulted in delay in achieving the intended objectives but also in cost overrun. Expenditure on digitisation of plot files, which was awarded to scheduled banks on the basis of limited tenders, increased from ₹ 320 to ₹ 600 per plot file. Further, due to delay in finalisation of software, an amount of ₹ 25.69 lakh paid to M/s Reliance Communication for hosting and connecting the data centre at Gurgaon (January to December 2009) became wasteful.

During the exit conference, the GM (IT), HUDA stated that the project got delayed as the implementation of the PPM and the FAS was a mammoth task, both in terms of size of the activity and geographic spread. The reply is not tenable as the time schedule was prepared after taking into account the volume of work.

[50] Digitization of files: ₹ 13 crore; Application Software: ₹ 0.98 crore, Hardware/Software: ₹ 5 crore; Data Centre: ₹ 4.90 crore; WAN: ₹ one crore: LAN: ₹ 1.30 crore and Miscellaneous: ₹ 0.20 crore

1.4.9.3 Expenditure on digitising plot files

As per the bid document, where allotment was prior to January 1998 and either of three events viz; (i) execution of sale deed; (ii) execution of conveyance deed and (iii) issue of no due certificate had occurred, the schedule of payment as well as details of payments made by allottees were not required to be captured. No such condition was, however, inserted in the contract agreement and a uniform rate for all the plot files was allowed. Further, data analysis revealed that out of 1,44,140 uploaded plot files, the payment schedules and detail of payments made by allottees had not been entered in 77,453 plot files. Payment of ₹ 3.75 crore in these cases, particularly for digitising details of 23,066 properties (30 *per cent*) sold before constitution of HUDA which was for statistical purposes and where the time schedule was not important, could have been avoided by segregating these cases and the banks could have been told to concentrate on new sectors where the amounts were being deposited by allottees.

During the exit conference, the CA, HUDA stated (August 2010) that it was a conscious decision to digitize all the available files. However, in the absence of any mention of utility of data, the expenditure incurred on digitising these files was injudicious.

1.4.9.4 Expenditure on establishing Wide Area Network

In order to provide common citizen services and implement major e-governance applications, the Department of Information Technology (DIT), Government of India sanctioned a project for setting up the Haryana State Wide Area Network (SWAN). The estimated cost of the project was ₹ 102.62 crore, out of which ₹ 62.62 crore was to be funded by DIT for meeting the capital expenditure on vertical connectivity. The Government was to contribute ₹ 40 crore towards operational expenditure for this network. Since at the time of implementation of the PPM and the FAS modules, SWAN was not ready, it was decided in the IT Plan of HUDA prepared by IT PRISM[51] that data connectivity and storage may be initially awarded to a private service provider as a pilot project as a temporary measure. It was envisaged that once SWAN was established, HUDA would switch over to SWAN for the rest of the locations.

SWAN became operational in the State in February 2008. On the request (February 2008) of HUDA, HARTRON prepared a project report for linking all the Estate Offices with SWAN. Work was awarded (May 2008) by HARTRON to M/s Spanco at a cost of ₹ 62.63 lakh but HUDA stopped (October 2008) the project and allotted the work (March 2009) to M/s Bharati Airtel at a cost of ₹ 87.66 lakh, resulting in an extra expenditure of ₹ 25.03 lakh. Further, by not availing of the facility of SWAN, nugatory expenditure had been incurred by HUDA on connectivity. In response to an audit query, HARTRON stated (March 2010) that the reasons for not switching over to SWAN were best known to the HUDA and the selection of Bharti Airtel was made by HUDA at their own level.

---

[51] Chief Administrator, HUDA is in the technical Committee of IT PRISM

During the exit conference, the GM (IT) stated that the data centre of Haryana State Wide Area Network was still not ready. The reply is not tenable because as per the Status of Mission Mode e-Governance Projects in Haryana dated 31 December 2008, the NIC State Data Centre Haryana with a data Storage capacity of eight terabytes had been established in Civil Secretariat. The FCPS assured that the latest position in this regard would be intimated.

1.4.10 Conclusion

HUDA had outsourced development of the software for automating its operations and generating various MIS reports. It was the primary responsibility of the Management to ensure that the software designed would accurately map all its operations on to the computerised system and adequate IT controls were put in place to ensure reliability and integrity of data. However, audit revealed that many features of the manual system were either not computerised or were wrongly computerized. If correctly computerized, they were either not being put to use or were being wrongly used. Further, it was seen that despite spending ₹ 13.85 crore till March 2010, the software had been fully implemented in Panchkula only, showing that the project was way behind the targeted date. Even in Panchkula, the data was incomplete and inaccurate and unreliable. Errors found in Panchkula during audit were replicated at other locations. This undermined the credibility of all the MIS reports including final accounts, which were either being prepared by the software or were being prepared manually by taking data from the software.

1.4.11 Recommendations

- Data entry work by banks needs to be closely monitored as most of the inaccuracies are arising at the data entry stage.
- HUDA must immediately carry out a post-implementation review of the functioning of the software and take steps to correct the data inaccuracies and inconsistencies by ensuring that adequate input controls and validation checks are put in place.
- Balance Sheets and Income and Expenditure Accounts should be generated through FAS to check its efficacy.
- A scientific method may be adopted for codification of general and subsidiary ledger codes so that expenditure on capital and revenue heads can be properly tracked.
- It must be ensured that the staff engaged in implementation of the computerisation project is properly trained.

The FCPS, during the exit conference, accepted (August 2010) all the above recommendations.