

## CHAPTER 2

### PERFORMANCE AUDIT

#### Labour Department

#### 2.1 Haryana Building and Other Construction Workers Welfare Board

##### Highlights

*The Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 and the Building and Other Construction Workers Welfare Cess Act, 1996 were enacted by Government of India with a view to regulate the employment and conditions of service of building and other construction workers. The State Government was required to implement various welfare schemes for the registered workers falling in the age group of 18 to 60 years. The functioning of the Haryana Building and Other Construction Workers Welfare Board and implementation of the provisions of the Acts was deficient. Important highlights are enumerated below:*

**There was delay of nine years in issuing notification about Haryana Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2005, constitution of Haryana Building and Other Construction Workers Welfare Board and State Advisory Committee.**

*(Paragraph 2.1.8.2)*

**As against the total receipt of ` 634.71 crore, only an expenditure of ` 15.11 crore was incurred during 2007-12.**

*(Paragraph 2.1.9.1)*

**Cess amounting to ` 1.50 crore collected by six Public Health Engineering Divisions was not deposited with the Board. Out of this, ` 70.05 lakh was deposited in the State Receipt head.**

*(Paragraph 2.1.9.4)*

**There was lack of initiative for registration of contractors as employers of construction workers and motivation for renewal of membership of registered workers.**

*(Paragraphs 2.1.10.1 and 2.1.10.2)*

**Statutory schemes such as pension, family pension, disability pension, etc. and also certain schemes such as free travelling facility for construction workers and students, coverage of chronic diseases formulated by the Board were not implemented.**

*(Paragraph 2.1.11.1)*

**There was acute shortage of staff in the Board which was inadequate for the implementation of the provisions of the Act.**

*(Paragraph 2.1.12.1)*

**Monitoring at the State level was not adequate as annual budget and returns were not submitted by the Board to the Government. There was no internal audit system in the Board.**

*(Paragraphs 2.1.13.1 and 2.1.13.2)*

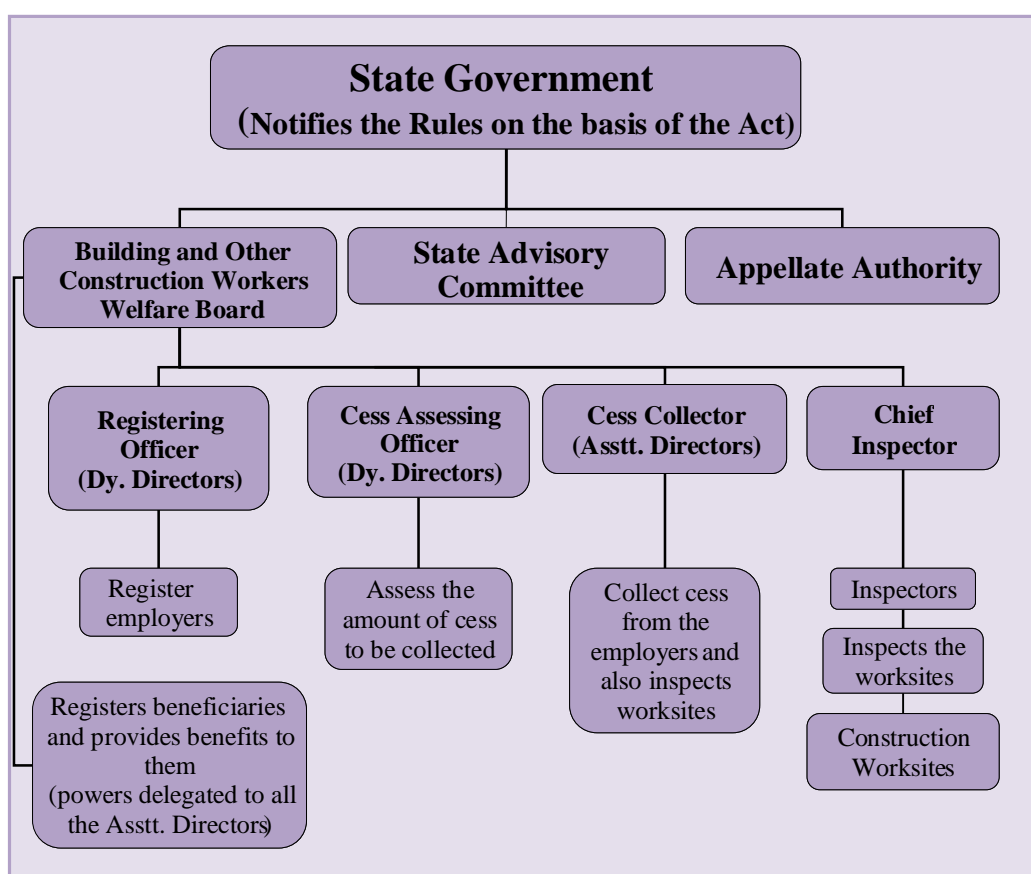
### **2.1.1. Introduction**

The Government of India (GOI) enacted (August 1996) the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 (the Act) and the Building and Other Construction Workers Welfare Cess Act, 1996 (Cess Act) with a view to regulate the employment and conditions of service of building and other construction workers. The Ministry of Labour, vide its notification dated 26 September 1996, stipulated levy of cess at the rate of one *per cent* of the total cost of construction on the employer. The State Government framed the Haryana Building and Other Construction Workers (Regulation of employment and Conditions of Service) Rules, 2005 (Rules) for implementation of the Building and Other Construction Workers Welfare Cess Act in the State. Further, the State Government constituted (November 2006) the Haryana Building and Other Construction Workers Welfare Board (the Board) to carry out welfare schemes for construction workers and imposed (January 2007) cess at the rate of one *per cent* in accordance with the requirements of the Cess Act. The cess so collected, was required to be spent for the welfare of construction workers on schemes like maternity benefits, pension, advances for purchase of construction of houses, disability pension, loans for tools, payments of funeral assistance, medical assistance, financial assistance for education and marriage of children, etc. Construction workers in the age group of 18 and 60 years, who registered themselves, were required to contribute ` five per month.

### **2.1.2. Organisational set-up**

The Board headed by Labour and Employment Minister is responsible for administration of the fund and implementation of various welfare schemes. The

State Government had constituted (April 2007) the State Advisory Committee for a term of five years to advise the State Government on such matters arising out of the administration of the fund. The Labour Commissioner was designated as Chief Inspector and other officers of the Labour Department viz. Chief Inspectors of Factories, Additional Director and Assistant Director, Industrial Safety and Health, all Joint Directors, Industrial Safety and Health, etc. were appointed as Inspectors, Registering Officers, Cess Collectors, Assessing Officers, etc. under the Act. The organisational set-up has been depicted in the following chart:



### 2.1.3. Audit objectives

The objectives of audit were to assess whether:

- planning process for implementation of welfare measures was effective;
- financial management was effective;
- welfare measures were implemented effectively;
- human resource management was effective; and

- monitoring and internal control mechanism was in place and effective.

#### **2.1.4. Audit criteria**

The sources of audit criteria for assessing the implementation of various provisions of the Act/Rules were as under:

- Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996 and Haryana Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Rules, 2005.
- Cess Act 1996.
- Guidelines of various schemes and instructions issued by the Board from time to time.
- Agenda items of State Advisory Committee and the Board and minutes thereof.
- Annual Action Plans of the Board.

#### **2.1.5. Audit scope**

A performance review of Haryana Building and Other Construction Workers Welfare Board for the period 2007-12 was conducted during May and June 2012. The review included a test check of all the relevant records/documents of the Board i.e. levy and collection of cess, reports regarding registration of establishments/workers, progress reports of implementation of welfare schemes, administrative reports, annual action plans, periodical review, proceedings of the meetings, sanctions, budgetary documents, instructions and orders regarding implementation of the schemes, etc. Out of six Deputy Directors in the State, four<sup>1</sup> Deputy Directors (67 per cent) covering six<sup>2</sup> districts were selected for test check on random basis. Records of Municipal Corporation, Hisar, Guru Jambheshwar University, Hisar and six<sup>3</sup> Public Health Engineering Divisions (PHED) located at Bhiwani, Faridabad, Gurgaon and Sohna were also test-checked to assess whether these cess deductors were depositing the cess amount with the Board. Apart from this, the audit alongwith officers of the Board also visited the 10<sup>4</sup> construction sites to verify the registration of construction workers and establishments.

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1 (i) Bhiwani, (ii) Faridabad, (iii) Gurgaon and (iv) Hisar.

2 (i) Bhiwani, (ii) Faridabad, (iii) Gurgaon, (iv) Hisar, (v) Palwal and (vi) Rewari.

3 Public Health Engineering Division No. 1, 2 and 3, Bhiwani; Public Health Engineering Division No. 1, Faridabad; Public Health Engineering Division, Gurgaon and Sohna.

4 Bhiwani: Construction work of two buildings on Kanina Road, Charki Dadri, Construction site of crown plaza shopping mall, old bus stand, Bhiwani and Construction

### 2.1.6. Audit methodology

Before commencing audit, audit objectives, criteria and scope of audit were discussed (May 2012) in entry conference with the Labour Commissioner-cum-Secretary of the Board. Information relating to implementation of schemes and other related information from the Haryana Building and Other Construction Workers Welfare Board and the State Government and replies furnished by them to audit memoranda were analysed to arrive at audit conclusions. Physical verifications were also taken into consideration to substantiate audit observations. The Audit findings were discussed in the exit conference held (October 2012) with the Labour Commissioner-cum-Secretary of the Board. Their replies have been duly considered in arriving at the conclusions in the report.

### 2.1.7 Acknowledgement

Office of the Principal Accountant General (Audit), Haryana acknowledges the co-operation of the Board and their subordinate offices in providing information and records for audit.

### Audit findings

The performance audit of the Haryana Building and Other Construction Workers Welfare Board revealed that the Board had done well by deciding to implement schemes relating to health insurance, mobile dispensary vans, shelter for construction workers, financial assistance for marriage of daughters, crèches and mobile toilets, etc. and spent ₹ 6.31 crore upto 31 March 2012 apart from the schemes notified under Haryana Building and Other Construction Workers (Regulation of employment and Conditions of Service) Rules, 2005.

Important audit findings are discussed in the following paragraphs:

### 2.1.8. Planning process

#### 2.1.8.1. *Perspective and annual plans*

For carrying out the welfare activities and to provide benefits to the construction workers, preparation of a long term perspective plan outlining the year-wise developmental activities was most essential. Audit, however, observed that Board had neither prepared any long term perspective plan nor annual plans. As such, implementation of the schemes could not be ensured in a proper manner. Further,

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site of Sedimentation and Storage tank, Rohtak Road, VPO Ninan, District Bhiwani Hisar; Guru Jambheshwar University, Shopping Complex constructed near Hansi Road Bus Stand; Faridabad and Gurgaon: Construction sites of Ansal Properties and DLF.

no survey was conducted by the Board to identify the migrant/local labourers in the State to plan its activities.

Section 25 of the Act provides that the Board would prepare its budget for the next financial year showing the estimated receipts and expenditure and forward the same to the State Government and Central Government. Scrutiny of the records revealed that the Board did not prepare its budget since inception.

The Labour Commissioner-cum-Secretary of the Board while admitting the facts stated (October 2012) that annual budget for the year 2012-13 was under preparation and would be sent to the Government for approval.

#### ***2.1.8.2 Delay in implementation of the provisions of the Act***

The GOI enacted the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act in 1996 and the Building and Other Construction Workers Welfare Cess Act, in 1996. The State Government notified the Haryana Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2005 i.e., after a gap of nine years of the constitution of the Act. Audit observed that Expert Committee was constituted for preparation of rules in April 2001 which took four years for finalization of rules.

Similarly, the State Government was required to constitute Haryana Building and Other Construction Workers Welfare Board immediately after the enactment of the ibid Act of Parliament. But the State Government constituted the Board in November 2006 i.e., after a gap of nine years of the constitution of the Act. As a result, the implementation of the provisions for the safety and welfare of the workers were not complied with upto March 2007.

Further, a State Building and Other Construction Workers Advisory Committee was to be constituted to advise the State Government on matters arising out of the administration of the Act. But the State Government had constituted the committee as late as in April 2007.

Thus, there were substantial delays in formulation of the rules, constitution of the Board and State Advisory Committee. The construction workers remained deprived of the benefits as defined in the Act during this period.

The Labour Commissioner-cum-Secretary while admitting the facts stated (October 2012) that the delay in implementation of the provisions of the Act existed in all the States. The reply was not convincing as the Government should have constituted the Board at the earliest in the interest of welfare of building and other construction workers.

#### ***2.1.8.3 Delay in holding Meetings of the Board and Advisory Committee***

Rule 36 of the Haryana Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2005 provides that board should ordinarily meet once in three months. Similarly, Rule 14 stipulates that the State Advisory Committee should meet at least once in six months. According to provisions of these rules, there should have been 20 meetings of the Board and 10

meetings of the Advisory Committee during the period of their inception to March 2012. It was, however, noticed that only nine and three meeting of the Board and Advisory Committee respectively were held during this period which is indicative of lack of commitment and seriousness on the part of the State Government in implementing the various provisions of the Act.

The Labour Commissioner-cum-Secretary while admitting the facts stated (October 2012) that meetings were held whenever any important issue was required to be placed before the Board for its approval. It was also stated during the exit conference that the meetings of the Board/Advisory committee would be held as per prescribed norms in future.

## 2.1.9. Financial management

### 2.1.9.1 Income and expenditure of the Board

In addition to Cess which was being collected at the rate of one *per cent* of the construction cost, it also collected membership fee from the members at the rate of ` five per month. As against the income of ` 634.71 crore, an expenditure of ` 15.11 crore was incurred during 2007-12. The details of income and expenditure as well as administrative expenses are given in **Table 1**.

**Table 1: Statement showing details of income and expenditure**

(Figures in crore)

Year	Cess	Members' contribution	Total	Expenditure on welfare scheme	Administrative expenses	Total	Percentage of administrative expenses to total expenditure
2007-08	24.49	0.03	24.52	0.05	0.04	0.09	44.44
2008-09	69.98	0.38	70.36	0.67	0.20	0.88	22.73
2009-10	102.06	0.14	102.20	2.18	0.35	2.52	13.89
2010-11	199.20	0.20	199.40	3.28	0.40	3.69	10.84
2011-12	237.93	0.30	238.23	7.30	0.64	7.93	8.07
<b>Total</b>	<b>633.66</b>	<b>1.05</b>	<b>634.71</b>	<b>13.48</b>	<b>1.63</b>	<b>15.11</b>	<b>10.79</b>

Source: Data supplied by the Board.

As per Section 24(3) of the Act, the administrative expenditure was to be kept within a limit of five *per cent* of the total expenditure. As is evident from the above table, the administrative expenditure ranged between 8.07 and 44.44 *per cent*, while meager expenditure (2.12<sup>5</sup> *per cent*) was incurred on welfare schemes.

During the exit conference, the Labour Commissioner-cum-Secretary while admitting the facts stated (October 2012) that expenditure in excess of the prescribed norms was due to creation of initial infrastructure to start the smooth functioning of the Board. However, the Board would be able to comply with the said provision in coming years when the expenditure on welfare schemes would

5 ` 13.48 crore spent on welfare schemes/` 634.71 crore collected on account of cess and members' contribution during 2007-08 to 2011-12 X 100 = 2.12 *per cent*.

increase. The reply was not convincing as the expenditure should have been restricted to the prescribed norms as per Act.

It is pertinent to mention here that a para titled “Non-achievement of objectives due to non-utilisation of cess funds” was incorporated in the report of Comptroller and Auditor General of India (CAG) No. 2 Civil, Government of Haryana for the year ended 31 March 2011, wherein it was brought out that cess amount of ₹ 376.98 crore collected from Government and Public Sector Undertakings remained unutilised. It had increased to ₹ 619.60 crore at the end of 2011-12. Thus, the Board did not take adequate steps with required seriousness to implement the welfare schemes for construction workers despite pointed out by Audit.

The Labour Commissioner-cum-Secretary stated (October 2012) that about 20 schemes were in operation for the welfare of beneficiaries but limited claims under the schemes were coming from the beneficiaries as the claims were to be given with certain conditions attached to the schemes. Audit recommends that the Board should conduct proper survey to enroll more construction workers and pursue with registered workers to continue their memberships so as to provide benefits to them as envisaged in the Act.

#### **2.1.9.2 Short realisation of Cess**

Section 3(4) of the Building and Other Construction Workers’ Welfare Cess Act, 1996 (Cess Act) provides that the cess leviable under this Act including payment of such cess in advance would be subject to final assessment to be made on the basis of the quantum of the building or other construction work involved. Section 5(2) of the Cess Act provides that if the return has not been furnished to the officer or authority under sub-Section (2) of Section 4, he or it shall, after making or causing to be made such inquiry as he or it thinks fit, by order, assess the amount of cess payable by the employer.

Section 8 of the Act also provides that if any employer fails to pay any amount of cess within the time specified in the order of assessment, such employer shall be liable to pay interest on the amount to be paid at the rate of two *per cent* for every month. Section 9 of the Act provides that if any amount of cess is not paid within the specified date (30 days), the authority may impose a penalty not exceeding the amount of cess. Section 10 of the Act provides that any amount due under this Act (including any interest or penalty) from an employer may be recovered in the same manner as an arrear of land revenue.

Audit scrutiny of the cess assessment files of establishments revealed (May 2012) that the Deputy Directors, Industrial Safety and Health of three districts had assessed ₹ 77.24 lakh as cess in 33<sup>6</sup> cases during 2008-12. It was observed that an amount of ₹ 11.86 lakh was paid as advance cess in these cases but the remaining amount of ₹ 65.38 lakh along with interest had not been paid by these employers even though the period during which the cess was to be paid had already elapsed.

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6 Bhiwani: 7 cases, Hisar: 22 cases and Gurgaon: 4 cases



The Deputy Directors of these districts had neither imposed penalty nor taken any action to recover the amount as arrears of land revenue from the defaulters.

The Labour Commissioner-cum-Secretary of the Board stated (October 2012) that recovery of ` 17.92 lakh in nine of 33 cases reported by audit had been made and efforts were being made to recover the balance amount.

### **2.1.9.3 Short collection of cess**

Sections 4(1) and 4(2) of Cess Act 1996 provide that every employer shall furnish such return to such officers or authority, in such manner and at such time as may be prescribed. If any person carrying on the building or other construction work, liable to pay the cess under the Act, fails to furnish the return, the officer or the authority shall give a notice requiring such person to furnish such return before such date as may be specified in the notice. Further, Section 7 of the Cess Act empowers any authority of the State Government to enter at any reasonable time and place wherever considered necessary for carrying out the purposes of the Act including verification of correctness of any particulars furnished by the Employer.

Rule 7 of the Building and Other Construction Workers Welfare Cess Rules further provides that assessing officer would make an order of assessment within six months from the date of receipt of information.

Audit scrutiny of the records of selected offices of the Deputy Directors revealed that Assistant Directors (I, II and III) Faridabad and Palwal brought out after inspection to the Deputy Director, Faridabad that 246 establishments employing construction workers had neither intimated about the construction activities being carried out by them nor deposited the cess amount during the period from April 2007 to March 2012. Out of these 246 cases, the Deputy Director had completed the assessment only in 24 cases recovering an amount of ` 4.57 crore and in 80 cases an amount of ` 5.38 crore was paid by these establishments as advance cess but cess assessment was not completed to assess the balance outstanding amount of cess due. However, in remaining 142 cases neither the advance cess was paid by these establishments nor the cess assessments were completed to demand the outstanding cess payable. Thus, Deputy Director did not conduct assessment of 222 units (80+142 units) within the specified period of six months resulting in non-levy/short collection of cess. Non-assessment of cess also resulted into non-levy of interest and penalty as envisaged in the Section 8 and 9 of the Cess Act.

During the exit conference, the Labour Commissioner-cum-Secretary of the Board stated that delegation of powers for assessment/collection of cess to some more officers were under consideration of the department for speedy assessment in future.

### **2.1.9.4 Delayed/non-deposit of Cess**

Section 3 of the Cess Act provides that cess would be collected at the rate of one *per cent* of the construction cost. Further, Rule 5 (3) of Cess Rules provide that the cess collected should be remitted to the Board within 30 days after deducting

the collection charges at the rate not exceeding one *per cent* of the cess collected. Audit scrutiny of selected cess deductors revealed that six<sup>7</sup> PHED located at Bhiwani, Faridabad, Gurgaon and Sohna revealed that an amount of ` 1.50 crore deducted as cess during 2008-12 was kept in Public Works Miscellaneous Deposit during 2008-12. Of this, an amount of ` 70.05 lakh was transferred to 0230-Receipt head in March 2012 and the balance amount of ` 79.84 lakh was still lying in Public Works Miscellaneous Deposit (March 2012). Thus, transfer of amount to the receipt head of the State Government and keeping of funds in Public Works Miscellaneous Deposits was irregular.

Further audit scrutiny of records of Estate Officer, Haryana Urban Development Authority (HUDA), Gurgaon revealed that an amount of ` 11.07 crore deducted as cess on approval of their layout plans for construction of building and other construction works during the period from April 2010 to May 2012 was kept in a separate bank account. Audit observed that an amount of ` 10.31 crore was deposited (April 2012) with the Board after deducting collection charges of ` 10.41 lakh. The balance amount of ` 65.97 lakh was still lying with HUDA (June 2012). The action of HUDA retaining the amount beyond 30 days of its collection was irregular resulting in loss of interest. Further, HUDA had not collected cess whose layout plan for construction of building and other construction works were approved during the period from February 2007 to May 2010.

Similarly, Municipal Corporation, Gurgaon had also not levied/collected cess in respect of the plans approved for building and other construction works exceeding ` 10 lakh during the period February 2007 to March 2011. However, the corporation had started levy and collection of cess from April 2011. A scrutiny of records for the period from July 2010 to March 2011 revealed that the corporation had issued the approval of 277 layout plans for building and other construction works during this period. On the basis of plinth area and minimum construction cost per sq feet, the total non-collection of cess worked out to ` 50.46 lakh.

Audit also observed that the Board had not evolved any mechanism to ensure that the cess was being collected and deposited by deductors regularly with them.

The Labour Commissioner-cum-Secretary of the Board stated (October 2012) that the matter regarding deposit of cess had already been taken up with the Engineer-in-Chief, Chief Administrator, HUDA and other authorities.

## **2.1.10. Implementation of the provisions of the Act and Rules**

### **2.1.10.1 Registration of establishments**

According to Section 2(J) of the Act, establishment means any establishment belonging to, or under the control of Government, anybody corporate or firm, an

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7 Public Health Engineering Division No. 1, 2 and 3, Bhiwani; Public Health Engineering Division No. 1, Faridabad; Public Health Engineering Division, Gurgaon and Sohna

individual or association or other body of individual which or who employs building workers in any building or other construction works and includes an establishment belonging to a contractor, but does not include any individual who employs such workers in any building or construction work in relation to his own residence and the total cost of such construction not being more than ` 10 lakh. Further, Section 7 of the Act provides that every employer would apply for registration with prescribed authority within sixty days of the commencement of the establishment.

The Deputy Directors, Industrial Security and Health (IS&H) Hisar, Gurgaon and Faridabad registered the Cess deductors such as Executive Engineers of Public Works Departments, Haryana Urban Development Authority, Haryana State Agricultural Marketing Board, colonizers, etc. but had not made any efforts to register the contractors as establishments who were the actual employers of the construction workers. In the absence of this, actual number of establishments and number of workers employed by them could not be assessed by the department.

The audit party visited (June 2012) 10 construction sites along with Assistant Director, IS&H, Bhiwani, Hisar, Gurgaon and Faridabad at random to assess the position of registration of establishments and workers. Audit observed that none of the contractors/building workers at six<sup>8</sup> sites at Bhiwani and Hisar were found registered although they were engaging 16 to 40 workers. They were eligible workers who were required to be registered, in the absence of which they were deprived of the benefits envisaged in the Act. However, colonizers at four<sup>9</sup> sites in Gurgaon and Faridabad had got themselves registered and workers employed by them were also registered with the Board on the basis of certificates issued by these colonizers.

During the exit conference while admitting the fact, Labour Commissioner-cum-Secretary stated (October 2012) that the process would be initiated to register the contractors also.

#### **2.1.10.2 Registration of building workers**

Section 12 of the Act provides that every building worker who is in the range of eighteen to sixty years of age, and who has been engaged in any building or other construction work for not less than ninety days during the preceding twelve months shall be eligible for registration as a beneficiary under this Act and shall pay contribution until he attains the age of sixty years. Further, Section 17 of the Act provides that when a beneficiary has not paid his contribution for a continuous period of not less than one year, he shall cease to be a beneficiary.

8 Bhiwani: (i) & (ii) Construction work of two buildings on Kanina Road, Charki Dadri, (iii) Construction site of crown plaza shopping mall, old bus stand, Bhiwani, (iv) Construction site of Sedimentation and Storage tank, Rohtak Road, VPO Ninan, District Bhiwani. Hisar: (v) Guru Jambheshwar University, (vi) Shopping Complex constructed near Hansi Road Bus Stand.

9 Two construction sites each of Ansal Properties and DLF.

Analysis of the data provided by the Board revealed that 1,63,343 workers were registered in the State during the period 2007-12. During this period, only 25,059 workers registered (15.34 *per cent*) had continued their membership and contributed to the fund.

Audit scrutiny of the records of the office of the Deputy Directors, Gurgaon and Faridabad revealed that 85,563 workers were registered during the period 2007-2012. Out of this, only 22,413 registered workers were active as on March 2012. Out of active registered workers, 21,969 were those who got themselves registered during 2011-12. Only 444 workers have paid regular contribution to the fund and were eligible for the benefits. Gurgaon and Faridabad districts had contributed the cess to a large extent but benefits under the schemes, launched by the board, were given to the extent of ` 6.51 lakh to 12 beneficiaries only.

The Board had not taken any cognizance of the situation and did not start any effective campaign/survey/advertisement to motivate the local as well as migratory workers for their regular contribution to the fund so that they could derive the optimum benefits of the welfare scheme. An expenditure of ` 44.22 lakh only was incurred on advertisement during 2007-12.

On this being pointed out in audit, the Assistant Directors, Faridabad Circle I & II (July 2012) stated that low renewal of registration by workers was due to their migration to their home States after five to six months. The reply was not tenable as there was lack of initiative on the part of department for renewal of registration of workers.

During the exit conference, the Labour Commissioner-cum-Secretary of the Board while admitting the facts stated (October 2012) that low rate of registration/renewal was also due to excessive workload on the staff of Labour Department who was also looking after the work of the Board in addition to their normal duties. A proposal to recruit separate staff for Board had been made. It was also stated that awareness campaign for registration/benefits provided under welfare schemes run by the Board would be launched through All India Radio (through jingles).

### ***2.1.10.3 Non-maintenance of workers' record***

According to Rule 28(3) of Haryana Building and Other Construction Workers Rules 2005, a certificate from the employer or contractor indicating that the applicant is a construction worker is required to be produced along with the application for registration. In case, such a certificate is not available, a certificate issued by the registered construction workers' unions or a certificate issued by Labour Officer or Assistant Director, Industrial Safety and Health of the concerned area or by the Executive Officer of the Panchayat may also be considered. Further, Rule 31(1) provides that every employer would maintain a register showing the particulars of the building workers and a register of contribution.

Test check (May-June 2012) of the records of selected districts relating to registration of building and other construction workers revealed that in the offices of Assistant Directors, IS&H, Hisar and Bhiwani, all workers were registered in these districts on the basis of certificates issued by the branches of *Bhavan Nirman Kaamgar Union*, *Haryana Bhavan Nirman Mazdoor Union*, etc. Audit, however, observed that certificates issued by these unions did not bear any registration number of workers or serial number of the registers in which their names were recorded. Further, the proof that workers had completed 90 days of service as building workers during the preceding year had not been furnished to Audit.

Due to non-maintenance of register about the details of workers and records relating to completion of 90 days service as construction worker, genuineness of registered workers could not be verified in audit.

During the exit conference, the Labour Commissioner-cum-Secretary of the Board stated that necessary instructions for maintenance of record had been issued to the field staff/Unions.

### 2.1.11. Implementation of Welfare Schemes

The Board had launched 20 welfare schemes to provide incentives to the registered workers. Out of these 20 schemes, 11 statutory schemes were notified under Haryana Building and Other Construction Workers (Regulation of employment and Conditions of Services) Rules, 2005 and the remaining nine non-statutory schemes were launched by the Board though these were not notified under the Rules. Audit scrutiny of records relating to implementation of schemes revealed that the Board had not prepared any budget estimate for the various welfare schemes launched by it. As such, no funds were placed for each welfare scheme individually and expenditure was being incurred on the need basis. The shortcomings in implementation of the welfare schemes are discussed in the succeeding paragraphs:

#### 2.1.11.1 Improper implementation of the schemes

The details of schemes implemented by the Board and number of beneficiaries covered upto 2011-12 are given in **Tables 2 and 3**.

**Table 2: Details of Statutory Schemes implemented by the Board**

(Amount in lakh)

Sr. No.	Name of Scheme	Number of cases	Amount spent	Number of cases	Amount spent
		up to March 2012		during 2011-12	
1.	Maternity Benefit Scheme	187	8.52	174	7.90
2.	Funeral Assistance	215	9.43	128	7.66
3.	Death Benefit	228	123.05	134	93.85
4.	Medical Assistance	2	0.02	2	0.02
5.	Financial Assistance for Education	577	25.48	389	20.28

Source: Data supplied by the Board. (Year-wise details given in Appendix 2.1)

Five statutory schemes i.e. pension, family pension, disability pension, advance for purchase/construction of house and loan for purchase of tools had not been implemented so far (March 2012). One scheme namely “Financial Assistance for Marriage” was implemented as a non-statutory scheme as “Financial Assistance for Marriage of Daughters” by making it more beneficial to the workers.

**Table 3: Details of Non-statutory Schemes implemented by the Board**  
(Amount in lakh)

Sr. No.	Name of Scheme	Amount spent up	
		to March 2012	during 2011-12
1.	Health Insurance Scheme	140.40	48.16
2.	Mobile Dispensary Vans	81.60	38.45
3.	Shelters for Construction Workers	62.11	14.06
4.	Financial Assistance for Marriage of Daughters	262.99	153.90
5.	Workers Facilitation Centres	21.63	16.93
6.	Crèches and Mobile Toilets	62.63	25.07

Source: Data supplied by the Board. (Year-wise details given in Appendix 2.2)

Three non-statutory schemes i.e. Coverage of Chronic Diseases, Free Travelling Facility for Religious/Historical Places and Free Travelling Facility for Construction Workers and Students had not been implemented so far (March 2012) although these schemes were formulated by the Board in June 2008.

It was further observed that schemes at Sr. No. 2, 3 and 6 of the table were not implemented in the entire State. Instead these were implemented in limited areas as detailed in Table 4.

**Table 4: Details showing the implementations of schemes**

Sr. No.	Name of the scheme	Number of districts in the State	Number of districts where schemes implemented	Number of districts where schemes not implemented
1.	Mobile Dispensary Vans	21	5 <sup>10</sup>	16
2.	Shelters for Construction Workers	21	4 <sup>11</sup>	17
3.	Crèches and Mobile Toilets	21	2 <sup>12</sup>	19

Source: Data supplied by the Board.

Thus, the Board had not implemented the welfare schemes in line with the spirit of the Act covering all the areas.

During the exit conference, the Labour Commissioner-cum-Secretary of the Board stated that all the schemes had been implemented but claims were not received under some schemes due to non-renewal of membership. The reply was not convincing as the board had not taken any concrete steps to motivate the workers for continuation of their membership. Further, some of the schemes such as Mobile Dispensary Vans, Shelters for Constructions Workers and Crèches and

10 (i) Ambala, (ii) Faridabad, (iii) Gurgaon, (iv) Hisar and (v) Panipat.

11 (i) Faridabad, (ii) Hisar, (iii) Jind and (iv) Yamunanagar.

12 Faridabad and Gurgaon.

Mobile Toilets, etc. were not related to claims from workers, as these facilities were to be provided to the workers irrespective of claims.

#### **2.1.11.2 Non-implementation of the decision of the board**

The Board in its 9<sup>th</sup> meeting held on 3 March 2011 had approved the reduction in amount of contribution fee from ` 5 to ` 1 per month and also decided that the fees already deposited after 01 April 2010 for one year at the previous rate would be treated as fees for five years. Further, in future, registration shall be valid continuously for five years from the date of registration. Scrutiny of related documents revealed that the decision of the board had not been implemented.

During the exit conference, the Labour Commissioner-cum-Secretary of the Board stated that the matter had been referred to Government for obtaining approval but the same was awaited. The matter needed to be pursued with the Government to extend the benefit to the labourers.

#### **2.1.11.3 Non-refund of contribution to the legal heirs of the deceased members**

Rule 64(I) provides that on the death of a member, the amount of contribution standing in his credit would be given to his nominee. In the absence of a nominee, the amount would be paid to his legal heirs in equal shares.

Audit scrutiny revealed that though death assistance was given to family members of 228 members in the State during 2008-12, monthly contribution standing in their credit had not been refunded to the nominees/legal heirs of the deceased members.

During the exit conference, the Labour Commissioner-cum-Secretary of the Board stated that necessary directions had been issued to all the concerned officers to facilitate refund of contribution to the legal heirs of the deceased members.

#### **2.1.11.4 Funeral assistance**

Rule 56 and 57 provides for the funeral and death assistance to the nominees/legal heirs of the deceased member. Audit scrutiny revealed that death assistance of ` 1.23 crore was given in 228 death cases during 2008-12 in the State and 23 such applications were under process. Further, audit scrutiny revealed that funeral assistance amounting to ` 9.43 lakh was provided in 215 cases. The board had not taken any initiative to provide funeral assistance in remaining 36 cases.

The Labour Commissioner-cum-Secretary of the Board while admitting the facts stated (October 2012) that field functionaries had been directed to process the cases to pay the amounts to the nominees/legal heirs.

#### **2.1.11.5 Delay in settlement of claims**

According to Rule 45, the Board was responsible for the speedy settlement of the claims and sanction of advances and other benefits. Scrutiny of the records by

Audit revealed that 495 claims under various schemes were pending for the period ranging from 02 to 14 months as of May 2012 as detailed given in **Table 5**.

**Table 5: Details of pending cases under various schemes**

Sr. No.	Name of the Scheme	Period	Number of pending cases	Delay in months
1.	Maternity Assistance	2010-11	2	14
		2011-12	6	2
2.	Education scholarship assistance	2010-11	20	14
		2011-12	48	2
3.	Marriage Assistance	2010-11	37	14
		2011-12	359	2
4.	Death Assistance	2011-12	23	2
		<b>Total</b>	<b>495</b>	

**Source: Data supplied by the Board.**

During the exit conference, the Labour Commissioner-cum-Secretary of the Board stated that claims were not straight way rejected. There were some discrepancies in the claims as it was a continuous process to sanction the claim after fulfilling the requirements. It was assured that steps would be taken to curtail delay in settlement of claims.

## **2.1.12. Human Resources**

### **2.1.12.1 Appointment of staff**

The Board in its first meeting held in December 2006 and subsequent meetings held in June 2007 and August 2009 approved the creation of posts of Deputy Welfare Commissioner, Manager (Technical), Administrative Officer/Deputy Secretary, Assistant Welfare Officer, Accounts Officer/Manager Finance, Section Officer (Accounts)/Assistant Manager, Superintendent, Information Officer, Recovery/ Revenue Officer, Accountant, Deputy Superintendent/Head Assistant, Assistants (four posts), Junior Scale Stenographer (two posts), Clerks/Data Entry Operators (12 posts), Driver and Peons/Chowkidars (four posts) for making the Board functional. It was, however, observed that these posts had not been filled; the Board was functioning with the Skeleton staff i.e., Senior Accounts Officer, Accounts Officer, one Superintendent and six Clerks/ Data Entry Operators employed on contract basis. As against 34 sanctioned posts, only nine persons were in position. Thus, there was acute shortage of staff in the Board, which was inadequate for the implementation of the provisions of the Act. As a result, the Board could not exercise proper control over collection and levy of cess as well as implementation of the schemes.

During the exit conference, the Labour Commissioner-cum-Secretary of the Board stated that matter regarding appointment of regular staff for the Board had already been taken up with the Government.



### **2.1.12.2 Irregular appointment of advisor**

Section 4(1) of the Act provides that the State Government shall constitute a State Building and Other Construction Workers' Advisory Committee to advise the State Government on such matters arising out of the administration of this Act. There was no provision in the Act for appointment of Advisor. In contravention of the Act, State Government had appointed an Advisor with effect from September 2008 on a consolidated salary of ₹ 25,000 per month (enhanced to ₹ 40,000 per month from 25 June 2010) resulting in an irregular expenditure of ₹ 13.90 lakh during September 2008 to March 2012.

During the exit conference, the Labour Commissioner-cum-Secretary of the Board stated that the advisor had been appointed with the approval of the Board/ Finance Department. The reply was not convincing as there was no provision for appointment of Advisor under the Act, as such the appointment was irregular.

## **2.1.13. Internal Control**

### **2.1.13.1 Monitoring and evaluation**

Section 57 of the Act provides that every Board would furnish from time to time to the Central and State Governments such returns as they may require. The State Government had prescribed submission of annual report and annual budget by the Board to oversee the proper implementation of the Act and functioning of the Board. But it was observed that the Board had neither submitted annual budgets nor any annual reports of the Board to the State Government. The Board had not prescribed any return for the cess deductors i.e. Municipal Corporations, Municipal Committees, HUDA, etc. (who were authorised to approve the layout plans of the buildings) about the number of layout plans approved alongwith estimated construction cost so as to ensure that the cess collected by them was being deposited with Board. As such, the monitoring at the Board level was not adequate.

The Labour Commissioner-cum-Secretary of the Board stated (October 2012) that the preparation of budget and annual report was under process.

### **2.1.13.2 Internal Audit System**

With a view to improve the overall quality of work and reduce errors/irregularities, there should be an internal audit system in all Government organisations. Audit observed that there was no internal audit system in place in the Board.

The Labour Commissioner-cum-Secretary of the Board stated (October 2012) that the M/s Mehtani and Company, Chartered Accountant had been engaged for the purpose since 2008. The reply was not convincing as the Chartered Accountant was engaged for preparation of balance sheet and not for internal audit.

#### **2.1.14. Conclusions**

- The functioning of the Board and implementation of the provisions of the Acts was affected by inordinate delay in notification of Haryana Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2005, constitution of Workers Welfare Board and Advisory Committee.
- Only ` 15.11 crore was spent during 2007-12 as against the availability of ` 634.71 crore. Contractors who employed construction workers were not registered and workers were not motivated to renew their registrations.
- Statutory schemes such as Pension, Family Pension, Disability Pension, etc. and also certain other schemes such as, Free Travelling Facility for Construction Workers and Students, Coverage of Chronic Diseases which were formulated by the Board were not implemented.
- There was acute shortage of staff in the Board which resulted in inadequate monitoring at the Board level.
- There was no internal audit system in the Board.

#### **2.1.15. Recommendations**

The Board may consider:

- conducting proper survey to enroll more construction workers and pursue with registered workers to continue their memberships so as to provide benefits to them as envisaged in the Act.
- evolving proper mechanism to ensure that the cess was being collected and deposited regularly by deductors.
- taking up the matter of appointment of regular staff for the Board with the Government.
- preparing annual budgets and submit annual reports to the State Government for proper implementation of welfare schemes for construction workers.
- strengthening monitoring mechanism for proper implementation of the Act and follow up of welfare schemes for the benefit of workers.

## Irrigation Department

### 2.2 Working of Irrigation Department

#### Highlights

*Haryana is primarily an agrarian economy State. The total agricultural area in the State is 38.09 lakh hectare. Canal irrigation is provided to 21.13 lakh hectare as against the total irrigation potential area of 29.78 lakh hectares in the State. Irrigation is also done through tube wells. Performance audit of the Irrigation Department brought out lack of planning, non-achievement of targets of covering of area under irrigation, inadequate control over expenditure, slow and tardy implementation of schemes, etc. Besides, there were instances of lack of co-ordination with line departments, splitting of works, inadequate control over disposal of sewage and effluent discharge in canals, execution of sub-standard works, etc.*

*Some of the significant audit findings are highlighted below:*

**Against the target of covering 1140.38 thousand hectare area, only 104.18 thousand hectare area was covered under irrigation during 2007-12.**

*(Paragraph 2.2.7.1)*

**Due to delay in revising the scheme of flood protection works along river Yamuna, the State Government did not avail of Central Assistance of ` 83.40 crore.**

*(Paragraph 2.2.8.2)*

**Delay in submitting the case to Central Water Commission for finalisation of the cost of Hathnikund Barrage resulted in non-receipt of share amounting to ` 122.52 crore from member States.**

*(Paragraph 2.2.8.4)*

**Dadupur-Nalvi Irrigation Project on which an expenditure of ` 126.11 crore was incurred remained non-functional as water would be available to farmers only during rainy season when they did not require water.**

*(Paragraph 2.2.9.1)*

**An expenditure of ` 13.11 crore incurred on increasing the capacity of canals proved unfruitful, as irrigated area had not increased.**

*(Paragraph 2.2.10.1)*

**No system was evolved by the department to ascertain the unspent balances lying with Land Acquisition Officers, as a result of which ` 4.92 crore remained blocked with them.**

*(Paragraph 2.2.12.1)*

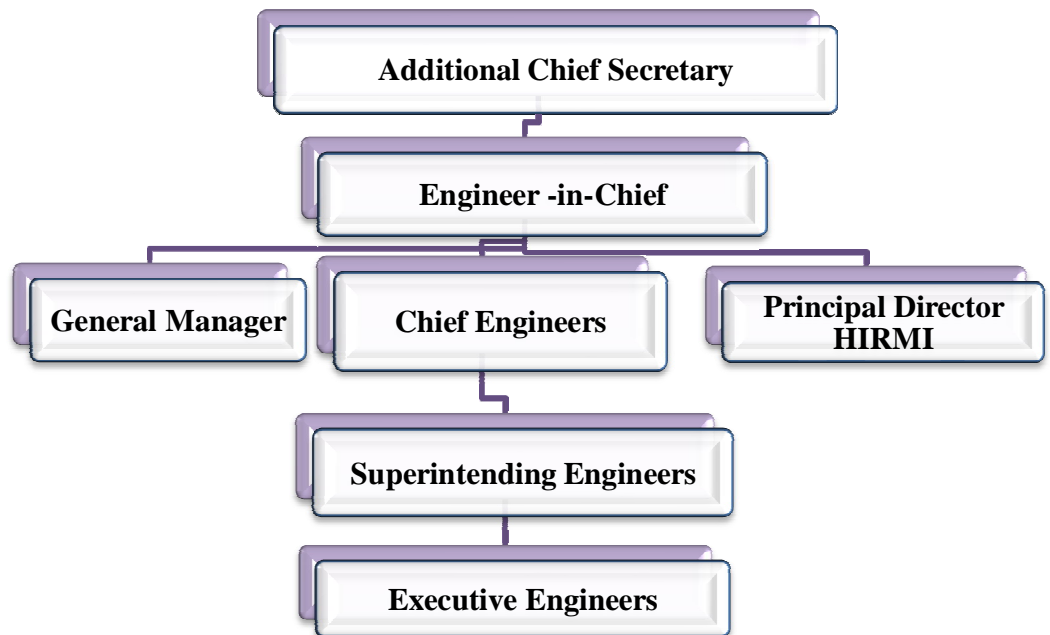
### **2.2.1. Introduction**

The State of Haryana is primarily an agrarian economy. The Department of Irrigation is primarily responsible for operation and maintenance of canals, drainage network, execution of flood protection works including water logging and river projects. The Department also provides raw water to Public Health Engineering Department (PHED) for water supply schemes.

The total geographical area of the State is 44 lakh hectares with agricultural area of 38.09 lakh hectares. As against the creation of irrigation potential over an area of 29.72 lakh hectares in the State, utilisation of irrigation potential was 21.13 lakh hectare. Irrigation is also done through tube wells. Canal irrigation is provided through a network of 1,439 canals. The canal network is divided into three systems namely; (i) Bhakra Canal System (453 canals covering command area of 13.71 lakh hectares) (ii) Yamuna Canal System (498 canals covering command area of 11.64 lakh hectares) (iii) Lift Canal System (488 canals covering command area of 4.37 lakh hectares). Yamuna and Ghaggar rivers are two drainage systems in the State. There are 694 drains covering a length of 4,641 Kms.

### **2.2.2. Organisational set-up**

The Additional Chief Secretary to Government of Haryana, Irrigation Department is the administrative head at the Government level and is responsible for implementation of policy decisions, programmes, schemes etc. The Engineer-in-Chief (EIC), Irrigation Department is head of the department and is assisted by six Chief Engineers (CEs) with 25 Circles headed by Superintending Engineers (SEs) and 88 Divisions headed by Executive Engineers (EEs) who are responsible for execution of construction/maintenance works of canals and drains at division level. Besides, the Principal Director, Haryana Irrigation Research and Management Institute (HIRMI) is responsible for research and training. The organisational set up of the department is depicted below:



### 2.2.3 Audit objectives

The main objectives of performance audit were to assess whether:

- the planning for implementation of the schemes was efficient;
- the financial management was sound and effective;
- the implementation of the schemes was effective, efficient and economical;
- the human resource management was effective and efficient; and
- an effective monitoring and evaluation mechanism was in place.

### 2.2.4. Audit criteria

Provisions of followings documents were used as criteria to conduct performance audit:

- Haryana Public Works Department Code.
- Irrigation manual of orders (IMO).
- Guidelines of Central Water Commission (CWC).
- Policy and Plan documents of State Government.

- Government notifications and instructions for the implementation of State and Centrally sponsored schemes.
- Provisions of Punjab Budget Manual and Punjab Financial Rules/Treasury Rules as adopted by the State.

#### **2.2.5. Audit scope and methodology**

Performance audit was conducted during January 2012 to June 2012 covering the Offices of the Engineer-in-Chief, Irrigation Department, 10<sup>1</sup> out of 25 circles (40 per cent) and all 38 divisions in the selected circles (*Appendix 2.3*) for the period 2007-12. The selection of the units was done by adopting the Probability Proportional to size Without Replacement (PPSWOR) method. An entry conference was held with Chief Engineer (Co-ordination), Irrigation Department in April 2012 wherein the audit objectives, audit criteria and scope of audit were discussed. Audit findings were discussed in the exit conference held (November 2012) with Additional Chief Secretary to the Government of Haryana, Irrigation Department and EIC. Their replies have been duly considered in arriving at the conclusions.

#### **2.2.6 Acknowledgement**

Office of the Principal Accountant General (Audit), Haryana acknowledges the co-operation of the Irrigation Department and their subordinate offices in providing information and records for audit.

#### **Audit findings**

#### **2.2.7. Planning**

i) The Department is required to prepare long-term Perspective Plan for the developmental works to be undertaken after taking into account the requirement of various projects and availability of funds. Further, the targets should be prepared project-wise annually so that the completion of the projects within a specific period can be monitored.

The Department submitted (September 2006) a proposal for Eleventh Five Year Plan (2007-12) for ` 4,176.11 crore to Planning Department. Against this, an

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<sup>1</sup> (1) Bhakra Water Services, Sirsa, (2) Bhakra Water Services, Kaithal, (3) Yamuna Water Services, Bhiwani, (4) Hathni Kund Barrage, Jagadhri, (5) Yamuna Water Services, Rohtak, (6) Jawahar Lal Nehru Water Services, Narnaul, (7) Yamuna Water Services, Jind, (8) Yamuna Water Services, Karnal, (9) Workshop, Karnal and (10) Construction Hisar.

outlay of ₹ 3,835 crore (₹ 3,373 crore for major and medium irrigation schemes and ₹ 462 crore for flood control schemes) was approved by Planning Commission. The works of minor irrigation were being executed by Command Area Development Authority. Besides ongoing schemes, 19 new schemes were approved under major and medium irrigation. The Department prepares annual plans taking into consideration the Five Year Plan.

ii) Out of 19 new schemes (4 major Irrigation and 15 medium Irrigation) approved in Eleventh Five Year Plan for irrigation (*Appendix 2.4*), only three schemes were completed. Out of these three schemes, only one medium Irrigation scheme 'National Capital Water Supply Channel' had been made functional and the infrastructure of two schemes was lying unutilized (November 2012). The details of these schemes are given in **Table 1**.

**Table 1: Details of non-functional schemes**

Name of the Scheme	Estimated cost	Expenditure incurred	Month of start	Month of completion	Status of work
	(₹ in crore)				
Bhakra Main Line-Hansi-Butana Branch (Major Irrigation)	392.00	383.28	February 2006	December 2008	Non-functional due to court case pending in the Supreme Court.
Kaushalya Dam (Medium Irrigation)	217.00	188.35	March 2008	December 2011	Pipe line for carrying water has not been completed by HUDA.
<b>Total</b>	<b>609.00</b>	<b>571.63</b>			

Source: Departmental records.

As is evident from above, scheme at Sr. No. 2 was lying non-functional due to lack of co-ordination with HUDA. The photographs given below show non-functional Bhakra Main Line-Hansi Butana Branch.



Further, six<sup>2</sup> schemes with estimated cost of ₹ 787.99 crore did not take off due to non-obtaining of clearance from State Government and the Ghaggar committee. The Department did not get these schemes cleared in the period of five years.

<sup>2</sup> (i) Construction of Dewan Wala Dam on Ghaggar River, (ii) Construction of Dangrana Dam on Ghaggar River, (iii) Renovation and Modernisation of Kotla lake, (iv) Renovation and Modernisation of Bhindawas lake, (v) Mewat Irrigation Scheme and (vi) Ambala Irrigation Scheme.

Three<sup>3</sup> schemes with an estimated cost of ` 56.95 crore were dropped as these schemes were no more required. The works of seven schemes were in progress.

The Eleventh Five Year Plan though was prepared in 2006-07, yet proper plan to execute the works within a specified period was not prepared. Priority of schemes was not fixed. As a result, the Department could complete only three schemes, out of 19 planned in the Eleventh Five Year Plan. As such, intended benefits of irrigation and supplying drinking water could not be derived.

An amount of ` 462 crore was approved for flood protection and drainage control works for the Eleventh Five Year Plan (2007-12). It was essential to prepare a plan for execution of various works, indicating priorities, time frame for each work, estimate for expenditure, sources of funds, etc. Audit, however, observed that instead of preparing a comprehensive flood control plan, individual works estimating to ` 1,199 crore were got approved from Haryana State Flood Control Board year by year but only an expenditure of ` 479.11 crore was incurred during 2007-12. As a result, there was no link with the plan outlay and expenditure likely to be incurred on the approved schemes; which ultimately hampered the completion of works in a time bound manner.

During the Exit Conference, the Additional Chief Secretary, Irrigation Department stated that the number of schemes planned to be executed was always more than those actually approved. However, audit recommends that the Department should make efforts for early clearance of schemes so that the benefits of the schemes are derived in a timely manner.

### **2.2.7.1 Targets and achievements**

The Department fixes the targets for increasing the area under irrigation on the basis of schemes to be implemented. The targets and achievements for covering area under irrigation under Plan Schemes during Eleventh Five Year Plan 2007-12 were as given in **Table 2**.

**Table 2: Details of targets and achievements for covering area under plan schemes**

Sr. No.	Name of the scheme	Target (In 000 hectare)	Achievement (In 000 hectare)	Percentage achievement
1	National Bank for Agriculture and Rural Development Schemes	65.397	62.397	95
2	Dadupur-Nalvi Irrigation Scheme	40.708	15.350	38
3	Bhakra Main Line-Hansi-Butana Channel	1000.000	Nil	Nil
4	Accelerated Irrigation Benefit Programme Scheme	28.822	21.432	74
5	Jawahar Lal Nehru Canal Project	5.450	5.000	92
	<b>Total</b>	<b>1140.377</b>	<b>104.179</b>	<b>9</b>

**Source: Records of the Department.**

Bhakra Main Line (BML)-Hansi-Butana Channel could not be made functional due

<sup>3</sup> (i) Renovation and Modernisation of Masani Reservoir, (ii) Gharaunda Irrigation Scheme and (iii) Ladwa Irrigation Scheme.



to Inter-State dispute and the pendency of case in the Hon'ble Supreme Court of India. It was observed that the achievements shown under Dadupur-Nalvi Scheme were incorrect as the canal was not complete. Neither the minors required for irrigation as planned had been constructed nor under bridge/siphon at Railway crossing had been completed. As discussed in paragraph 2.2.9.1, the scheme remained non-functional.

- **Flood control and drainage works**

The Department executes flood protection works such as construction of drains, construction and repair of bunds, retaining walls and stone studs. Details of flood and drainage works approved, completed and in progress are given in **Table 3**.

**Table 3: Statement showing the progress of flood and drainage works**

Year	Opening Balance	New	Total	Completed	Dropped	Balance
2007-08	93	92	185	79	20	86
2008-09	86	75	161	67	8	86
2009-10	86	74	160	67	16	77
2010-11	77	69	146	36	7	103
2011-12	103	252	355	126	36	193
<b>Total</b>		<b>562</b>		<b>375</b>	<b>87</b>	

Source: Departmental records.

Audit observed that out of 193 incomplete flood control protection works, 39 works (approved in 2006-07 to 2009-10) were pending for more than two to five years. Delay in acquisition of land and lack of co-ordination with Railway, Public Works Department, Mining Department, etc. affected implementation of these schemes. A total of 87 schemes were dropped due to dispute between farmers for alignment, change in river course and technical non-feasibilities. As such, flood protection measures were not undertaken as planned.

### 2.2.7.2 Coverage of area under irrigation

The details of total irrigation potential created vis-a-vis irrigation potential utilized during 2007-11 are given in **Table 4**.

**Table 4: Details of cultivable command area and irrigated area**

Year	Length of canals	Total irrigation potential	Irrigation potential utilised
		(In lakh hectares)	
2007-08	13641.08	29.66	22.04
2008-09	14287.78	29.36	21.64
2009-10	14688.43	30.29	21.23
2010-11	14754.25	29.78	21.13
<b>Average</b>		<b>29.77</b>	<b>21.51</b>

Source: Data supplied by the Department.

As can be seen from the table 4, though total length of canals increased from 13,641 Km to 14,754 km during 2007-11, there was no increase in area irrigated by canal water. Audit observed that less utilisation of irrigation potential area was

due to non-functioning of the irrigation projects as discussed in paragraphs 2.2.7, 2.2.7.1 and 2.2.9.1.

## 2.2.8. Financial management

### 2.2.8.1 Budget provision 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 budget provision for implementation of various schemes/programmes and expenditure incurred thereagainst during 2007-08 to 2011-12 was as given in **Table 5**.

**Table 5: Details of budget provision and expenditure incurred during 2007-12**

(` in crore)

Year	Budget	Revised Budget	Expenditure	Saving (-)/ excess (+) w.r.t Revised Budget
2007-08	1236.37	1429.82	1520.84	(+) 91.02
2008-09	1366.41	1692.70	1472.73	(-) 219.97
2009-10	1643.42	1724.32	1485.71	(-) 238.61
2010-11	1513.93	1635.14	1519.07	(-) 116.07
2011-12	1558.96	1842.94	1733.38	(-) 109.56

Source: State Government Budget.

An analysis of data of budget provision and expenditure revealed wide variations between budget provision and expenditure. There was also excess expenditure during 2007-08 to 2010-11 under capital voted and savings under revenue expenditure during this period (*Appendix 2.5*). Though, these deficiencies were pointed out in earlier Audit Reports of CAG, Government of Haryana (Civil 2007-08 and Report on State Finance 2008-09 to 2010-11), the deficiencies continue to persist year after year.

It was further observed that there were substantial savings or nil expenditure under Scheduled Caste Sub Plan (SCSP). Only an expenditure of ` 54.69 crore was incurred against the provision of ` 453.85 crore during 2007-12 as detailed in **Table 6**.

**Table 6: Details of budget provision and expenditure incurred under SCSP**

(` in crore)

Year	Budget	Revised Budget	Expenditure	Saving w.r.t Revised Budget
2007-08	Nil	Nil	Nil	Nil
2008-09	20.05	19.30	13.95	5.35
2009-10	21.55	127.55	Nil	127.55
2010-11	99.55	125.00	12.15	112.85
2011-12	120.00	182.00	28.59	153.41
<b>Total</b>		<b>453.85</b>	<b>54.69</b>	

Source: Budget of Government of Haryana.

It was noticed that the Department had not conducted any survey to identify the areas/schemes which could benefit the scheduled castes population.

During the Exit Conference, EIC stated that pro-rata booking of establishment charges by office of Principal Accountant General (Accounts & Entitlement) led to excess under capital expenditure and saving under revenue expenditure head. Regarding less expenditure under SCSP component, the Department stated that there were less number of schemes running under the SCSP component. The reply was not acceptable because provision for pro-rata charges is required to be factored while preparing the budget. As regards SCSP component, the Department should have conducted proper survey to identify the schemes/areas which could benefit the SC population.

### **2.2.8.2 Central assistance for floods**

The Government of India (GOI) provides Central assistance to the flood affected States to undertake critical flood control and river management works. Funds for these works were to be shared between GOI and State Government in the ratio of 75:25. GOI approved (August 2009) "Flood protection works along river Yamuna in the State" for ` 173.75 crore. Funds amounting to ` 130.31 crore were to be provided by GOI and balance amount of ` 43.44 crore was to be borne by the State Government. The project was required to be completed by March 2012. These flood protection works were to be carried out in five<sup>4</sup> districts situated along river Yamuna. GOI released first installment of ` 46.91 crore in December 2009. There were heavy floods in 2010 and the State Government spent ` 139.81 crore without submission of revised estimates of flood control works to GOI. Thus, assistance of ` 83.40 crore from GOI was awaited.

During the Exit conference, Additional Chief Secretary while admitting the facts stated that revised project estimate had been submitted to CWC in November 2012.

### **2.2.8.3 Grant under Accelerated Irrigation Benefit Programme**

As per Accelerated Irrigation Benefit Programme (AIBP) guidelines (revised in 2006), project cost is shared between GOI and the State Government in the ration of 25:75. GOI used to release funds in two installments, the first 90 *per cent* based on the project outlay and second 10 *per cent* on submission of utilization certificate of 70 *per cent* of the first installment. For release of funds under Central schemes, investment clearance from Planning Commission was also required.

The proposal under AIBP was sent to CWC in July 2007 with an outlay of ` 100.28 crore. The Department implemented the project in 2008-09 in anticipation of sanction. However, GOI approved (March 2010) the project at a cost of ` 67.28 crore under AIBP. It was noticed that the Department had spent an expenditure of ` 47.70 crore on the project during 2008-10. State Government

<sup>4</sup> (i) Faridabad, (ii) Karnal, (iii) Panipat, (iv) Sonapat and (v) Yamunanagar.

requested GOI (December 2010) for release of Centre's share amounting to ₹ 16.82 crore. The GOI did not release the grant as investment clearance from Planning Commission was not obtained by the department. The State Government received the investment clearance only in June 2011 and re-submitted the claim in August 2011. But the grant amounting to ₹ 16.82 crore had not been received as of November 2012. Thus, delay in obtaining clearance from Planning Commission had resulted in non-receipt of grant from GOI. Further, the expenditure was incurred before the approval of project by GOI.

During the Exit Conference, Additional Chief Secretary, Irrigation Department while admitting the facts clarified that GOI had not released the funds as expenditure was incurred before obtaining the approval of the project from GOI and Investment Clearance from the Planning Commission. He further stated that efforts would be made to obtain the Grant from GOI. The fact remains that the State Government could not avail the grant from GOI due to delay in clearance of project by Planning Commission and incurring expenditure before the approval of project by GOI.

#### **2.2.8.4 Non-receipt of share from other States**

An agreement for construction of Hathnikund Barrage on river Yamuna was entered into by five<sup>5</sup> States in September 1994. According to Clause 4 of the agreement, the cost of the barrage was to be shared by four States except Himachal Pradesh. The share was to be decided by the CWC within one year of the completion of the barrage.

The construction of barrage was completed in June 1999 at a cost of ₹ 295.64 crore. The revised estimates were submitted by the Department to CWC in August 2011 and the final cost was decided (October 2011) by the CWC for ₹ 251.91 crore after disallowing departmental charges. The share of member States was as given in **Table 7**.

**Table 7: Details of share of member States for construction of Hathnikund Barrage**

State	Per cent share	Share of States (₹ in crore)
Haryana	49.38	124.39
Uttar Pradesh	34.74	87.51
Rajasthan	9.64	24.29
Delhi	6.24	15.72
<b>Total</b>		<b>251.91</b>

**Source: Data supplied by the Department.**

Audit noticed that the member States had not reimbursed the expenditure incurred by the Haryana Government except ₹ five crore deposited by the Delhi Government in March 2012. Thus, due to delay in submission of case to CWC for deciding the cost of the project, the State Government could not get the share amounting to ₹ 122.52 crore from the member States. Besides, the State Government sustained loss of interest as the project was implemented out of its own resources.

<sup>5</sup> (i) Haryana, (ii) Uttar Pradesh, (iii) Himachal Pradesh, (iv) Rajasthan and (v) Delhi.

During the exit conference, Additional Chief Secretary admitted the delay in submitting the case to CWC and intimated that the case for obtaining reimbursement of share from other states was being pursued.

#### 2.2.8.5 *Non-utilisation of grant ` 1.94 crore*

Para 2.10 (b) (5) of Punjab Financial Rules (Volume-1) provides that no money should be drawn from treasury in advance of requirement and to avoid lapse of budget grant.

An amount of ` 8.50 crore was released (March 2010) to Haryana Irrigation Research and Management Institute (HIRMI) through Water Services Division, Kurukshetra for completion of ongoing schemes of Twelfth Finance Commission (TFC). HIRMI kept the above amount in bank account and payment was made for works executed by various divisions. An expenditure of ` 6.56 crore was incurred from this account (May 2012) and balance amount ` 1.94 crore was lying with HIRMI. Drawal of funds in advance of requirement and keeping the same with HIRMI was against the codal provisions.

During the exit conference, Additional Chief Secretary admitted that funds were drawn to avoid lapse of funds. The action of the Department was in contravention to Punjab Financial Rules.

#### 2.2.8.6 *Excess release of grant to HIRMI*

Irrigation Department releases grants-in-aid to HIRMI to meet establishment expenditure every year on the basis of their demand.

It was noticed that establishment grants amounting to ` 16.62 crore were released during 2007-12 against which an expenditure of ` 13.63 crore was incurred, whereas an amount of ` 2.99 crore was lying unutilized at the end of March 2012. The year-wise details are given in **Table 8**.

**Table 8: Details of grants received and expenditure incurred by HIRMI**

(` in crore)

Year	Opening Balance	Grant received	Total funds	Expenditure	Balance
2007-08	Nil	1.70	1.70	1.65	0.05
2008-09	0.05	2.30	2.35	2.26	0.09
2009-10	0.09	3.32	3.41	3.21	0.20
2010-11	0.20	3.80	4.00	2.88	1.12
2011-12	1.12	5.50	6.62	3.63	2.99
<b>Total</b>		<b>16.62</b>		<b>13.63</b>	

**Source: Utilisation certificates submitted by HIRMI.**

Audit observed that though the amounts were shown as unspent in the utilization certificates, grants were released without taking into consideration the balances already lying with HIRMI and likely expenditure to be incurred.

During the Exit Conference, the Additional Chief Secretary while admitting the facts stated that excess grant would be adjusted in future.

### **2.2.8.7 Non-revision of tender document fee**

There was no policy regarding revision of tender document fee in the Department. The Department follows the rates for sale of tender forms fixed by Public Works Department (PWD) (Building and Roads) (B&R). The PWD (B&R) revised the rate for sale of tender forms in 2008 which ranged between ₹ 500 and ₹ 50,000 per tender. But rates were not revised by the Irrigation Department. Old rates fixed in March 1997 ranging between ₹ 250 and ₹ 15,000 per tender were being charged. This resulted in less generation of revenue amounting to ₹ 2.34 crore in test-checked circles during 2008-12.

During the Exit Conference, the Additional Chief Secretary intimated that the rates would be revised soon.

### **2.2.9. Implementation of schemes**

Haryana receives 4.645 million acre feet<sup>6</sup> (MAF) water from Yamuna, 4.4 MAF water from Sutlej, 1.62 MAF from Ravi-Beas and 4.12 MAF from tube wells. Thus, total availability of water is 14.785 MAF against the requirement of 36 MAF.

To overcome the shortage, reduce water losses and to have equal distribution of available water among of all the areas of State, various schemes i.e. BML to Hansi Branch-Butana Branch, Kaushalya Dam, Dadupur-Nalvi Irrigation Scheme, Rehabilitation of Ottu Lake, National Capital Region (NCR) Water Supply Channel, Rehabilitation and Modernization of exiting canals under AIBP, other schemes financed by National Bank for Agriculture and Rural Development (NABARD), etc. were executed during 2007-12 for which funds of ₹ 2,742.10 crore were sanctioned and ₹ 3,858.31 crore had been spent on all these schemes during the performance audit period. Shortcomings noticed in the implementation of Major and Medium Irrigation schemes are discussed below:

#### **Major Irrigation Schemes**

##### **2.2.9.1. Unfruitful expenditure on Dadupur-Nalvi Irrigation Project**

Dadupur-Nalvi Irrigation Scheme was administratively approved in October 2005 for ₹ 267.27 crore. According to project report, 590 cusecs of surplus water from Dadupur complex was to be carried through Shahabad feeder. On completion, the project was to provide irrigation to 92,532 hectares besides recharging of ground water. The scheme was to be completed in three phases. Phase I (Shahabad Feeder and Shahabad Distributary, revival of Saraswati Nadi and Rakshi Nadi and minors), Phase II (Nalvi Distributary and minors) and Phase III (minors linking to Shahbad Feeder).

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6 As depicted in activities/achievement report for the year 2010-11 of the department.

The work of Phase-I started in April 2006 and was completed in June 2009 at a cost of ` 126.11 crore except 'RCC Box Railway Bridge' which was to be constructed by Railways. The Department had deposited ` 2.47 crore till July 2010 with the Railways but the work was not started by Railways. The Railways demanded (June 2011) additional amount of ` 2.29 crore to construct the bridge which were also deposited in December 2011. However, the Railway authorities had not started the work (November 2012).

The work of phase III including minors of phase I and II off taking from main canals was deferred due to protests by farmers as water would be available to them only during rainy season when they did not require water. In the absence of minors and distributaries channels, the main canal constructed at a cost of ` 126.11 crore remained non-functional (November 2012) and the benefits of irrigation to 92,532 hectares as envisaged in the scheme could not be derived.

Audit observed that the project was conceived without survey of the area about the usefulness of the project and ascertaining the views of the villagers. As a result of this, the entire expenditure of ` 126.11 crore incurred on the scheme was rendered unfruitful.

During the Exit Conference, the Department stated that the project had helped in recharging the ground water of the area. The reply was not convincing as the primary objective of the project of providing canal irrigation to 92,532 hectares of land could not be fulfilled.

### 2.2.9.2 *Jawahar Lal Nehru Lift Irrigation Scheme*

Jawahar Lal Nehru (JLN) Lift Irrigation Scheme envisaged extension of irrigation facilities to chronically drought affected areas and providing drinking water in Mahendergarh and Rohtak districts. In Mahendergarh district, the scheme covered Mahendergarh canal and minors, Narnaul Branch and minors and Satnali Feeder and its system. Mahendergarh canal gets its share of water from JLN Feeder. In this system, 68 pump houses to lift the water were also constructed. Important audit findings noticed are discussed below:

- **Unfruitful expenditure on repair and maintenance**

Satnali *Feeder*, having a length of 36.523 Km, off takes from Mahendergarh Canal at 15.650 Km. Canal runs on gravity from 0 to 23.823 Km and thereafter through lift system. Eight minors off take from Satnali Feeder up to 23.823 km and 14 distributaries and minors are beyond 23.823 Km.

Scrutiny of records revealed that an amount of ` 0.51 crore was spent on rehabilitation, restoration and maintenance of nine canals during 2007-12 under Satnali Feeder which falls beyond 23.823 Km, but water was not available during 2007-12 in these canals/minors due to scarcity of water in Satnali Feeder. Only 20-120 cusecs of water was available for eight days in a circle of 32 days in this feeder up to 23.823 Km only. As all the eight minors off take before 23.823 Km having a capacity of 100 cusecs also run at the same time, water was not available

to feed the balance length of the channel. The Department had not prepared any plan to make available water in the areas beyond 23.823 Km by reducing the supply of water in the minors falling upto 23.823 Km.

Thus, expenditure of ` 0.51 crore incurred on rehabilitation, restoration and maintenance of canals was injudicious.

During the exit conference, EIC stated that water was available beyond 23.823 km also and the expenditure on maintenance of the channel beyond 23.823 km was fruitful and necessary. The reply was not convincing as water was not reaching beyond 23.863 km. Neither any area was irrigated with canal water beyond 23.823 km nor any ponds /tanks were filled in that area during 2007-12.

• **Non-pursuance for release of electric connection for pump houses**

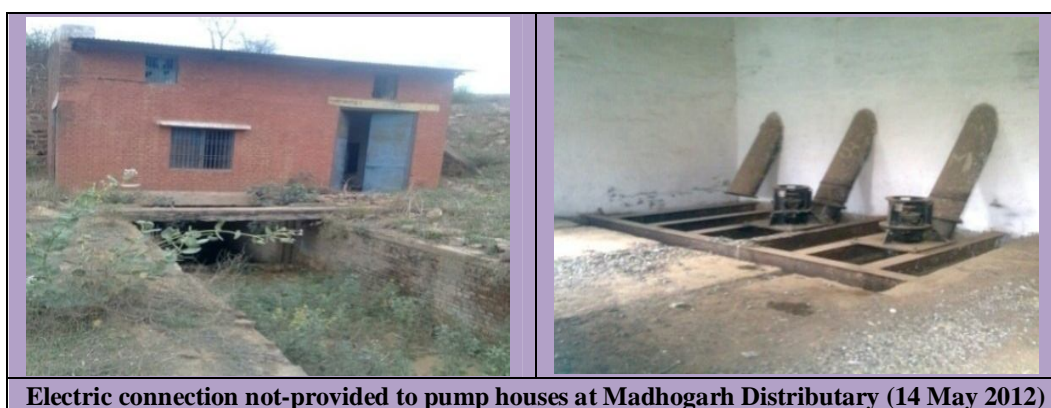
Lift irrigation system runs with the help of pump houses installed on the canals. These pump houses run on electric system.

Audit observed that pump houses constructed during 1982 were not working for want of electric connections as given in **Table 9**.

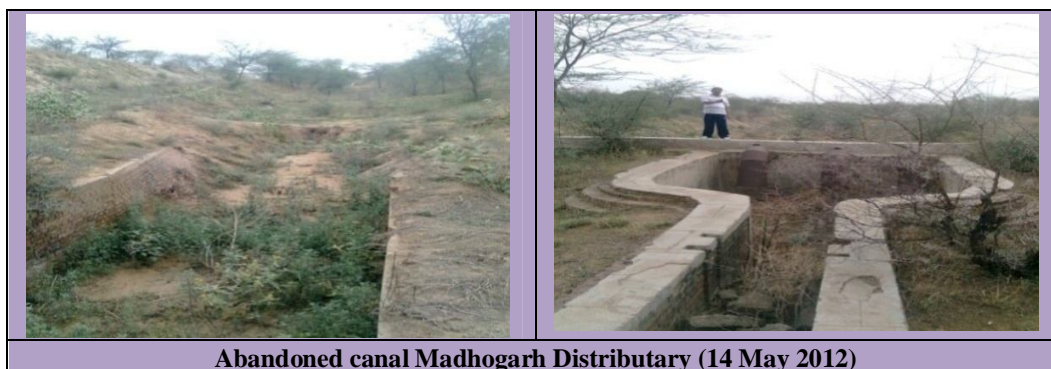
**Table 9: Details of non-functional pump houses for want of electric connections**

Name of pump house	Name of canal on which pump house situated	RD where pump house situated	Date of deposit	Amount deposited (₹ in lakh)
MGD-1	Madhogarh Distributary	2.173 KM	-	Not-deposited
MGD-2	Madhogarh Distributary	3.265 KM	-	Not-deposited
MGD-3	Madhogarh Distributary	4.447 KM	-	Not-deposited
AM-2	Ateli Minor	4.000 KM	December 2000	5.76
RPM-1	Rampur Sub Minor	5.800 KM	March 1999	14.50
DNM-2	Dancholi Minor	4.000 KM	December 2000	6.58
DSPM-1	Dostpur Minor	2.400 KM	December 2000	6.73
			<b>Total</b>	<b>33.57</b>

A few non-functional pump houses are depicted in the following photographs:







**Abandoned canal Madhogarh Distributary (14 May 2012)**

Although a sum of ₹ 33.57 lakh was deposited with Dakshin Haryana Bijli Vitran Nigam Limited as security deposit for release of electric connections in March 1999 and December 2000, the connections were not released by the electricity supplying company and the division had not pursued for release of the connections so as to make the pump houses functional. As a result of this, the lift irrigation system, in these areas remained non-functional and minors were lying abandoned.

During the exit conference EIC stated that due to shortage of water, amount was not deposited in respect of Madhogarh Distributary and matter was not pursued for electricity connection. The reply was not acceptable as the Department was not able to supply the available water in an equitable manner in the absence of electricity connections to run its pump houses as lifting of water was part of the scheme besides benefits of the scheme did not reach intended population.

### ***Medium Irrigation Scheme***

#### ***2.2.9.3 Ottu Lake***

A project for increasing capacity of Ottu Lake (a water body in Sirsa district) was administratively approved (December 2007) at a cost of ₹ 69.69 crore. It had scope for tourist potential due to creation of water body. The project was to be financed by NABARD. As per project report, the lake area of about 1,000 acre was to be de-silted with average depth of 5.95 feet to bring down the crest level of the lake. As per project report, 75,50,732 cum of earth was to be excavated and a portion of the excavated earth was to be dressed on *bundh* on both sides of River Ghaggar. The main objectives of the project were:

- Availability of about 6125 acre feet extra water for irrigation purposes.
- Recharging the ground water of the area.
- Improve the quality of underground water which is salty.
- Creating tourism potential due to huge water body and large scale fish farming.
- Increase in *Kharif* output.

Audit scrutiny of records revealed following shortcomings:

- **Splitting of work**

Para 2.21 of Public Works Code provides that works should not be split up. Scrutiny of records revealed that work of de-silting of Ottu Lake was allotted to 13 agencies at different rates ranging from ` 53.65 to ` 62.10 per cum in phase I during 2007-08 and to another 13 agencies at the rate ranging from ` 65.50 to ` 102 per cum in second phase II during 2008-09. The works of both phases were completed.

Audit observed that had the work been allotted after calling consolidate tender for Phase I and II, the rates would have been lower than the rates at which the works were executed. The splitting of works and not inviting consolidated tender resulted in extra expenditure of ` 6.99 crore.

During the Exit Conference, the Additional Chief Secretary stated that the some officers had been charge sheeted in this case and the matter was under investigation.

- **Non-sale of fertile earth of Ottu lake**

The Ghaggar Water Services Division, Sirsa got executed the work of de-silting of Ottu lake in two phases during 2007-08 and 2008-09 and a total of 70.04 lakh cum earth work was executed by incurring an expenditure of ` 44.57<sup>7</sup> crore. It was observed that the division did not invite the tenders for sale of fertile earth. The division, however, invited tenders in May 2012 for sale of earth in reach RD 0 to 3000. Besides the contractors excavated the earth also themselves.

As the excavated earth was fertile and the contractors had paid for the earth during 2012-13 besides excavating the earth themselves, the Department should have explored the possibility of selling the earth in 2007-08 and 2008-09 to earn revenue and saving the expenditure incurred on excavation.

On this being pointed out, the Additional Chief Secretary while accepting the facts during the exit conference stated that the matter was under investigation and necessary action would be taken against the delinquent officials and officers.

## **2.2.10. Other points**

### **2.2.10.1 Expenditure on increasing capacity/remodeling of canals**

To enhance the irrigated area during *Kharif* season, the capacity of nine minors/ canals was enhanced by 30 *per cent* after incurring an expenditure of ` 13.11 crore during 2007-12. Scrutiny of records of the divisions revealed that even after increasing the capacity of these canals, irrigated area under these canals

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<sup>7</sup> Phase I : 29.46 lakh cum for ` 16.78 crore and Phase II : 40.58 lakh cum for ` 27.79 crore.

had not increased to the desired level, even in some cases, the irrigated area had decreased. The details of expenditure incurred on increasing the capacity and area irrigated before and after increasing the capacity are given in **Table 10**.

**Table 10: Details of expenditure incurred on increasing the capacity of canals viz-a-viz area irrigated**

Name of division	Name of canal	Expenditure (` in lakh)	Date of completion	Irrigated Area				
				2007-08	2008-09	2009-10	2010-11	2011-12
Sampla Water Services Division, Rohtak	Dulhera Distributary	530.85	May 2009	10578	10112	7837	8499	-
	Jhajjar sub branch	116.50	March 2010	6344	6106	5796	6520	-
	Barhana Minor	50.05	January 2010	2934	2411	2136	2007	-
Jind Water Services Division, Jind	Jind Distributary 6 A	25.98	March 2009	2016	1946	1877	1906	1935
	Karsola Minor	68.98	January 2010	9204	8574	8813	8731	9262
	Ramkali Minor	142.46	March 2009	2497	2708	2667	2686	3176
	Brarkhera Minor	60.41	November 2009	2322	2363	2194	2258	2178
	MSL link channel	149.93	July 2010	3954	3693	3791	3904	4133
	Sunder sub branch	165.36	March 2010	12944	13243	12771	12705	12927
<b>Total</b>		<b>1310.52</b>						

**Source: Departmental records.**

The above data indicates that feasibility study was not conducted properly to assess the usefulness of increasing the capacity of minors/canals. This rendered the expenditure of ` 13.11 crore unfruitful.

During the exit conference EIC stated that capacity was increased to utilize the surplus water of Western Jamuna Canal (WJC) system in rainy season and increase of capacity of channels was not directly linked to irrigated area.

#### **2.2.10.2 Non-utilisation of funds under Mahatma Gandhi National Rural Employment Guarantee Act**

The GOI enacted Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) to provide employment to rural people. Under this scheme, entire cost of wages for unskilled manual workers is provided by GOI. The State Government decided (March 2007) to take silt clearance of drains and minors as a focus area under the scheme. The scheme was implemented in two districts (Sirsa and Mahendergarh) from April 2007 and in the whole of the State from April 2008.

Scrutiny of records of eight circles revealed that five<sup>8</sup> circles had got done 6 to 52 per cent works of silt clearance work valuing ` 9.42 crore under the MGNREGA scheme during 2007-12 while three circles had not got the silt clearance done under the scheme although silt clearance work valuing ` 34.25 crore was executed through contractors (**Appendix 2.6**). Had these three circles executed the silt clearance under the scheme, an amount of ` 34.25 crore could have been saved from State resources besides generation of employment under the MGNREGS.

During the exit conference, the Department stated that due to non availability of labour in some districts, silt clearance was done through contractors. Reply of the Department was not acceptable as not even a single work was done under the

<sup>8</sup> (i) YWS, Jind, (ii) YWS, Karnal, (iii) BWS, Kaithal, (iv) BWS, Sirsa and (v) JLN, Narnaul.

scheme by these three circles. In these three districts, there were 61,098<sup>9</sup> households having job cards under the scheme out of which 23,610<sup>10</sup> households were given jobs during 2009-10.

### **2.2.10.3 Damage of head regulator costing ` 1.35 crore**

The work of construction of remodeling of Head Regulator of Augmentation Canal at RD 68036 of WJC (Main Line Lower) was done by a contractor for ` 1.35 crore in November 2008. The work had a defect liability for a period of one year after completion.

The structure got damaged on 10 June 2009 due to settlement of piers and abutments. A committee was formed (June 2009) to inquire into the reasons about the damage of the structure which decided to get the matter investigated from Central Water and Power Research Station (CWPRS), Pune (March 2012). CWPRS Pune had submitted the report in November 2012 and the same was under consideration of the Government. Further developments were awaited (January 2013).

The position of damaged head regulator is depicted in the following photographs:



## **Water Pollution**

### **2.2.10.4 Disposal of sewage and effluent water in Western Jamuna Canal causing environmental hazards**

According to Canal and Drainage Act, discharge of sewage and effluent into WJC was not permitted. The water of WJC is used for drinking water supply in Delhi and southern parts of Haryana. The Hon'ble Supreme Court of India had also banned discharge of effluents into canals. The physical verification at the sites of WJC and scrutiny of record at Dadupur Water Services Division, Dadupur (June 2012) revealed that sewage and other effluent were being discharged into WJC at various locations.

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<sup>9</sup> Bhiwani: 31,983, Jagadhri (Yamunanagar): 19,723 and Rohtak: 9,392.

<sup>10</sup> Bhiwani: 13,580, Jagadhri (Yamunanagar): 7,398 and Rohtak: 2,632.

To take care of the problem of discharge of excess effluent of Yamuna Nagar and Jagadhri towns, a ditch drain was constructed during 2008. Even thereafter, effluent was being discharged over the spill ways of ditch drain. Study of records further revealed that 26 cusecs sewage and effluent was being discharged in WJC at 11 other places (*Appendix 2.7*). The position of discharge of sewage and effluent water is shown in the following photographs:



No steps had been taken by the Department to stop discharge of sewage and effluent in Western Jamuna Canal except taking up the matter with Haryana State Pollution Control Board and Deputy Commissioners.

During the exit conference, the Additional Chief Secretary stated that matter had already been taken up at higher level to stop the disposal of sewage in WJC.

### **2.2.11. Drainage and Flood control**

Haryana State is covered under three basins namely the Yamuna basin (16330 sq Km), Ghaggar basin (10675 sq Km) and internal basin (17207 sq Km). There are two drainage systems in Haryana i.e. one drain through river Yamuna and other through river Ghaggar. These rivers often experience flood in monsoon. The rain water also tends to accumulate in depression areas of the State causing flood and submergence of large areas. In order to save the State from recurring losses caused by floods, flood control and drainage works are executed by the Irrigation Department duly approved by Haryana State Flood Control Board (HSFCB).

Audit scrutiny of records of the flood control works revealed the following lapses/irregularities:

**2.2.11.1 Extra expenditure due to lack of coordination with Mining Department**

Three flood protection works i.e. repairing of damaged bund at RD 1100 to 1700, RD 1900 to 3750 and RD 4270 to 5920 at Tajewala on river Yamuna were sanctioned (October 2010) at a cost of ₹ 1.43 crore. The works were allotted to contractors in December 2010 and January 2011 to be completed in three months. These bunds were to be repaired with gravel to be lifted from the river bed. Mining Department intimated (January 2011) the Department to take short term permit and give undertaking for deposit of royalty by the contractor but permit was not obtained by the Department. Therefore, Mining Department stopped (February 2011) the works on the grounds that mining was banned in the State by the Punjab and Haryana High Court. However, the Mining Department gave permission in April 2011 to lift material for these bunds. But the contractors refused to start the work as the time limit of three months had already expired. The works were finalized and balance works were allotted to another agency at higher rates which resulted in extra expenditure of ₹ 1.86 crore. Thus, lack of coordination with the Mining Department resulted in extra expenditure of ₹ 1.86 crore.

During the exit conference, EIC stated that the earlier contractors left the work midway due to stoppage by the Mining Department. Later on when permission was received from Mining Department, the contractors refused to execute the work at old rates, therefore, the works were re-allotted. The reply was not convincing as the permission from Mining Department could have been taken in the first instance with proper co-ordination and avoided an extra expenditure of ₹ 1.86 crore.

**2.2.11.2 Execution of work without Administrative Approval and sanction of estimate**

As per Paragraph 9.1.1 of PWD Code, no work should be started before obtaining Administrative approval. Further, Paragraph 9.5.1 provides for commencement of works only after ensuring that detailed cost estimates are technically sanctioned by the competent authority after satisfying that the proposals are structurally sound and estimates are correct. Test check of records revealed that 43 works at an estimated cost of ₹ 53.73 crore were approved by HSFCB in its 42<sup>nd</sup> meeting in 2010-11 for district Yamuna Nagar. An expenditure of ₹ 33.97 crore was incurred during 2010-11 and 2011-12 on these works, but administrative approval and sanction of estimates had not been obtained from the competent authority. The details of expenditure are given in **Table 11**.

**Table 11: Details of expenditure incurred without administrative approval and estimates**  
(₹ in crore)

Name of division	Number of works	Estimated cost	Revised Cost	Expenditure
Dadupur Water Service Division, Dadupur	8	24.61	33.63	18.08
Jagadhri Water Service Division, Jagadhri	31	12.13	15.09	11.99
Hathni Kund Barrage, Division No 1, Jagadhri	4	4.85	5.01	3.90
<b>Total</b>	<b>43</b>	<b>41.59</b>	<b>53.73</b>	<b>33.97</b>

Source: Departmental records.

During the exit conference, EIC while admitting the facts clarified that keeping in view the urgency, the works were executed in anticipation of approval. The reply was not tenable as the action of the Department was in violation of codal provisions.

Audit further observed the following shortcomings:

- **Submission of fake/improper performance guarantee**

Para 13.12 of Public Works Code provides that successful tenderers should furnish a performance security at the rate of 5 *per cent* of the contract price, which may be in the form of bank guarantee. The divisional officers were required to obtain independent confirmation about the genuineness of bank guarantee directly from the issuing bank.

Two works were allotted (March 2011) for a contract price of ` 6.86 crore and ` 5.76 crore respectively to a firm. The firm deposited two number of Special Term Deposit Receipts (STDR) for ` 34.80 lakh and ` 29 lakh towards performance guarantee. The agency completed the works of ` 4.32 crore upto July 2011 and left the work of ` 8.30 crore unexecuted. A penalty of ` 1.66 crore being 20 *per cent* of the balance work was required to be levied on the agency. The division belatedly checked the genuineness of STDRs and the bank intimated (August 2011) that no such STDR were issued by them.

Thus, the Department had no means to recover the penalty from the agency. Laxity on the part of Department in verification of SDRs resulted in loss of ` 63.80 lakh.

During the exit conference, the Additional Chief Secretary stated that FIR had been lodged against the contractor (May 2012) and that the contractor had been blacklisted (August 2012). The fact, however, remains that the department had not followed the prescribed system of verifying the genuineness of bank guarantee leading to the State exchequer suffering loss.

- **Sub-standard execution of works**

The HSFCB in its 42<sup>nd</sup> meeting approved (December 2010) 43 works for Yamuna Nagar District which were executed by various divisions of Hathni Kund Barrage (HKB) Circle Jagadhri. Samples of material used on these works were taken (June/July 2011) by HIRMI. The results of samples were received in August 2011 and eight works executed in HKB Circle Jagadhri, (seven work executed by Water Services Division, Dadupur and one by Water Services Division, Jagadhri) were found to be sub-standard. The revised cost of the works was ` 33.61 crore against which an expenditure of ` 18.01 crore had been incurred as of July 2011 (*Appendix 2.8*).

A committee, comprising of three Chief Engineers, was constituted (February 2012) to examine the issue.

The EIC stated that the report of the Committee had been submitted to the Government (July 2012) and action against defaulting officers and contractors would be taken after approval of the Government but no action had been taken till date (November 2012).

#### **2.2.12. Land acquisition and management**

Land is acquired for construction of canals/drains through Land Acquisition Officers (LAOs) as per State Government policies. Audit observed:

##### **2.2.12.1 Non-recovery of balance amount from LAO**

For acquisition of land for various works, 14 divisions deposited ` 155.86 crore with LAOs during 2007-12, out of which, awards for ` 148.14 crore were announced and ` 2.80 crore were refunded. Balance amount of ` 4.92 crore was not refunded by LAOs even after lapse of one to four years of the announcement of awards of lands (**Appendix 2.9**). Non-recovery of balance amount resulted in blockade of funds amounting to ` 4.92 crore.

Audit observed that no system was evolved by the department to ascertain the balances lying with LAOs and getting refund of unspent amounts.

During the exit conference, EIC assured that the proper system would be evolved to get back the unspent amounts from LAOs.

##### **2.2.12.2 Mutation of land not made**

Department acquired agriculture land for construction of minors/drains from farmers. Mutation of land was required to be made in the name of the Department in revenue records. Scrutiny of the records revealed that 1455.8623 acre of land (**Appendix 2.10**) was acquired by test-checked divisions/circles during 2007-12, out of which mutation of 764.62 acre land had not been made in the name of the Department (June 2012) which may cause unnecessary litigations about the ownership of land in future.

The EIC stated (November 2012) that all out efforts were being made to get the mutation done in favour of Department.

#### **2.2.13. Human Resource Management**

##### **2.2.13.1 Shortage of staff**

The manpower position of the department as on 31 March 2012 was as given in **Table 12**.



**Table 12: Details of shortage of staff in various cadres**

Sr. No.	Name of post	Sanctioned strength	Men in position	Shortage/ Excess	Percentage of shortage
1	Engineer-in-Chief	1	1	-	Nil
2	Chief Engineer	6	6	-	Nil
3	Superintending Engineer	28	25	3	11
4	Executive Engineer	132	114	18	14
5	Sub-Divisional Engineer	328	204	124	38
6	Junior Engineer	1323	854	469	35
7	Circle Head Draftsman/Division Head Draftsman/ Draftsman/Tracer	651	380	271	42
8	Revenue staff	1946	1185	761	39
9	Clerical/Class IV staff	3399	2559	840	25
10	Workmen	8367	6403	1964	23

**Source: Data supplied by the department.**

Audit observed that there was shortage of staff in field cadres in the Department which affected the execution of various works, recovery of revenue, etc.;

The EIC stated (November 2012) that requisition for recruitment of staff had been sent to Haryana Public Service Commission and Staff Selection Commission.

### 2.2.13.2 Construction Divisions with heavy establishment charges

Para 6 of Appendix II of Department Financial Rules provides for 24 per cent of the total outlay on works on establishment expenses.

Test check of records of selected circles/divisions revealed that in the seven divisions during 2007-12 the establishment expenditure exceeded the norms. There were no norms for allotment of work to Construction Divisions. The details of works expenditure vis-a-vis establishment expenditure in Construction Divisions under selected circles during 2007-12 are given in **Table 13**.

**Table 13: Percentage of establishment expenditure incurred in construction divisions**

Sr. No.	Name of circle	Name of Division	Per cent of establishment expenditure to works expenditure				
			2007-08	2008-09	2009-10	2010-11	2011-12
1	Yamuna Water Services,, Rohtak	Construction Division No. 21, Rohtak	14	66	43	30	92
2		Construction Division No. 30, Gohana	19	14	914	42	381
3	Yamuna Water Services,, Karnal	Construction Division No. 17, Karnal	5	55	41	21	35
4	Construction, Hisar	Construction Division No. 6, Hisar	54	79	1053	41	53
5		Construction Division No. 7, Hisar	16	39	344	30	66
6	Yamuna Water Services, Jind	Construction Division No. 28, Jind	--	--	--	13	36
7.	Hathni Kund Barrage, Jagadhri	Construction Division No. 14, Kurukshetra	5	14	25	1183	23

**Source: Departmental records.**

Audit observed that the Department had not evolved any mechanism to utilise the manpower in a rational manner. The EIC stated (November 2012) that proper exercise would be carried out to merge /relocate the construction divisions as per requirement.

## 2.2.14. Internal control and monitoring

### 2.2.14.1 Non-recovery/adjustment of amount lying in MPWA against staff and others

Article 54 of Account Code Volume III provides that amount kept in Miscellaneous Public Works Advances (MPWA) should be watched through the regular account. Test check of records of selected circles/ divisions revealed that an amount of ₹ 160.62 lakh was pending in MPWA. Out of this, ₹ 59.30 lakh remained outstanding on account of shortage of material, sub-standard work, etc. against the officials/officers of the Department. Age-wise details of outstanding amount are given in **Table 14**.

**Table 14: Details of outstanding amount in MPWA**

(₹ in lakh)

Up to 5 years		5 to 10 years		Above 10 years		Total	
Total	Staff	Total	Staff	Total	Staff	Total	Staff
39.65	5.64	18.31	5.07	102.66	48.59	160.62	59.30

Source: Departmental records.

Concrete steps were not taken by the Executive Engineers to recover/ adjust the amount outstanding against the staff and others.

The EIC stated (November 2012) that recovery was not feasible because whereabouts of the persons concerned were not known. The reply indicated that the Department had not taken appropriate action to adjust/recover the amount lying in MPWA.

### 2.2.14.2 Non-transfer of amounts lying in deposit to revenue

Para 12.7 of Punjab Financial Rules (Volume-I) provides that the entire amount lying in deposit for more than three years should be credited to revenue head of the Department. Test check of the records of selected circles revealed that an amount of ₹ 6.19 crore which was more than three years old was lying under deposit. The details are given in **Table 15**.

**Table 15: Details showing non-transfer of amounts lying in deposit**

(₹ in lakh)

3 to 5 year	5 to 10 year	Above 10 year	Total
498.16	62.59	58.26	619.01

Source: Departmental records.

The division-wise details are given in **Appendix 2.11**. The amount was required to be credited in revenue head but no steps had been taken to credit the same.

The EIC stated (November 2012) that the instruction would be issued for the transfer of funds to revenue.

### **2.2.14.3 Non-deposit of labour cess with Labour Welfare Board**

Building and Other Construction Workers Welfare Cess Act 1996 (Act) provides deduction of labour welfare cess at the rate of one *per cent* of the total bill of Contractors. The proceeds of the cess collected were required to be deposited with the Haryana Building and Other Construction Workers Welfare Board.

Scrutiny of records of test-checked divisions/Circles revealed that instead of depositing cess with the Board, an amount of ` 3.06 crore was credited to receipt Head of the department and an amount of ` 71.59 lakh were kept in Deposit (*Appendix 2.12*) in violation of the provisions of the Act.

The EIC stated (November 2012) that the instructions would be issued to the divisions to deposit the amount of Labour welfare cess with the Board in a timely manner.

### **2.2.14.4 Lack of seriousness towards making payments of land compensation**

The Additional District Judge, Bhiwani decided (June 2009) for making payment of enhanced land compensation to the petitioners. Thereafter, the case remained pending in the Department for administrative approval. Due to non-payment, execution petitions were filed (April 2010 and August 2010) by the land owners. The Court directed (June 2009) the Department to make payment but the Department did not make the payment.

The Court attached (March 2011) vehicles of the department for non-payment of compensation to land owners. The Siwani Water Services Division, Bhiwani again submitted (March 2011) the case for release of Letter of Credit (LOC) to Chief Engineer and also sent reminders for the same with copy to EIC and Financial Commissioner and Principal Secretary, Irrigation Department. The matter regarding release of LOC remained under correspondence during this period between the division and the EIC. As a result, the division was not able to make payment of enhanced compensation in time to get the vehicles released. The Court subsequently auctioned (May and July 2011) four vehicles (HR-16-C-4430, HR-16C-4569, HR-16-C-4617 and HR-16G-7234) of Yamuna Water Services Circle, Bhiwani and an amount of ` 2.48 lakh realised and deposited into treasury. Thereafter, the payment of ` 33.06 lakh was made in September 2011.

Similarly, there were substantial delays in making payment on account of enhanced land compensation after the decision of the courts. Due to delay in making payment to land owners, the Department had to make extra payment on account of interest. Details of such cases noticed during test-check are given in **Table 16**.

**Table 16: Details showing payment of interest to land owners**

Name of Division	Enhanced amount (₹ in lakh)	Month of Decision	Interest paid up to	Period of delay (In months)	Amount of Interest (₹ in lakh)
Sirsa Water Services, Sirsa	138.71	November 2010	June 2011	7	12.14
Nehrana Water Services, Sirsa	84.92	September 2008	March 2010	18	18.78
	9.06	September 2008	December 2009	15	1.70
	2.20	September 2008	January 2010	16	0.44
	11.43	September 2008	November 2009	14	2.00
	0.44	September 2008	October 2009	13	0.07
	43.09	September 2008	October 2009	13	7.00
				<b>Total</b>	<b>42.13</b>

**Source: Data compiled from divisional record.**

As is evident from the above table, due to delay in making payment of land enhanced compensation to land owners, the Department had to make extra payment of ₹ 42.13 lakh on account of interest.

This indicated lack of seriousness in making payment towards enhanced compensation despite orders of the courts.

The EIC stated (November 2012) that care would be taken so that such incidents do not take place in future.

#### **2.2.14.5 Non-preparation of Annual Administrative Report**

As per provision contained in Para 6.2.7 of PWD Code, Engineer-in-Chief was to arrange the preparation of Annual Administrative Report of his department, giving:

- A brief and clear account of its operations.
- Significant milestones achieved.
- Initiatives taken and lessons learnt, etc.

The Report was required to be sent to the Government by June end.

Test check of records in the office of EIC, Irrigation revealed that the Department had not prepared the Administrative Reports for the years from 2006-07 to 2011-12. In the absence of Annual Administrative Reports, the activities/performance of the Department during these years were not known to the Government. Due to non-compliance of codal provisions, the Government could not evaluate the performance of the Department, so as to take timely remedial action.

The EIC stated (November 2012) that administrative reports would be prepared soon.

### **2.2.15. Conclusions**

- The planning of the Department was inadequate as comprehensive plan was not prepared for irrigation and flood control works.
- As against the creation of irrigation potential over an area of 29.72 lakh hectares in the State, utilisation of irrigation potential was 21.13 lakh hectare. The Department could not achieve the target of covering 1140.38 thousand hectare area under irrigation despite spending ` 7731.71 crore during 2007-12.
- The performance of the Department was deficient in several areas such as inadequate control over expenditure, slow and tardy implementation of schemes, lack of co-ordination, execution of sub-standard works and delay in making payment of land acquisition cases.
- There was lack of control over disposal of sewage and effluent in canals, the water of which was being supplied for drinking purpose in the State as well as to the National Capital of Delhi. There was lack of coordination between Pollution Control Board and Irrigation Department to control the Water Pollution in WJC.
- There were shortage of staff in field cadres and inadequate internal control and monitoring system.

### **2.2.16. Recommendations**

The Government may consider:

- preparing proper plans for completion of ongoing works so as to increase the coverage of areas under irrigation.
- strengthening the expenditure control mechanism to avoid excess expenditure over budget provisions.
- co-ordinating with line departments/organisations to ensure that the intended benefit of the scheme reaches the targeted beneficiaries.
- activating its vigilance mechanism to avoid the cases of sub-standard works, wasteful/extra expenditure in execution of works.
- taking adequate steps to stop the disposal of sewage and effluent in canals.
- implementing effectively directives of the Apex Court.

**Town and Country Planning, Urban Estates, Public Works (Buildings and Roads), Irrigation and Public Health Engineering Departments**

**2.3 Land Acquisition and Allotment**

**Highlights**

*The Government acquires land from private landowners for public purposes under the Land Acquisition Act, 1894. The Government has been providing a number of benefits such as annuity, no litigation incentives, etc. under the Resettlement and Rehabilitation Policy to the landowners in addition to land compensation as provided in the Land Acquisition Act, 1894. In the process of acquisition of land, various provisions of Land acquisition Act, 1894 were not adhered to which resulted in judicial interventions to resolve the disputes relating to land acquisition. The Government released the notified land from the acquisition process in violation of the Land Acquisition Act which adversely affected the development plans of HUDA. Further, due to deficiencies in the process of land acquisition, the concerned departments had to make extra payment on account of interest, bear loss of interest due to parking of funds outside the Government account, etc. Besides, there were cases of grant of permission to sell industrial plot in violation of terms and conditions. Proper mechanism was not evolved to watch recovery of external development charges. Highlights of some of the important audit observations are given below:*

**Delay in making payment of enhanced land compensation resulted in avoidable payment of interest of ` 5.15 crore.**

*(Paragraph 2.3.8.4)*

**Release of land from the process of acquisition to individuals, builders, trusts, etc. in violation of provisions of Land Acquisition Act was observed.**

*(Paragraphs 2.3.9.1 to 2.3.9.3)*

**Transfer of an industrial plot was allowed by HUDA in violation of Government policy.**

*(Paragraph 2.3.10.7)*

**There was absence of mechanism in the Estate Offices of HUDA to watch recovery of external development charges in the cases of release of land.**

*(Paragraph 2.3.10.8)*

**Land compensation amounting to ` 6.49 crore was paid to 12 persons who were not owners of land while ` 1.55 crore was paid to 15 persons in excess of their entitlements.**

*(Paragraph 2.3.13.2)*

**Parking of funds outside the Government Account resulted in loss of interest of ₹ 1.56 crore.**

(Paragraph 2.3.13.6)

### **2.3.1. Introduction**

‘Land Acquisition’ means acquisition of land for public purpose by Government/Government agency, as authorized by law, from the individual land owners after paying compensation fixed by the Government. The acquired land is used by the Government for development purposes such as setting up of offices, schools, hospitals and other facilities or for creation of infrastructure such as construction of link roads, widening of existing roads, construction of bridges, residential, commercial and industrial estates, etc. The acquisition of privately held land for public purposes is governed by the provisions of the Land Acquisition Act, 1894 (the Act) as amended from time to time.

The land is acquired in the State for usage of urban development and infrastructure development for industries by the UED and the Industries Department respectively, for water works by the Public Health Engineering Department (PHED) and in a linear strip form for construction of roads and canals by Public Works Department (PWD) and Irrigation Department. The acquisition of land for infrastructure development for industries had been dealt with separately in Audit Report (PSUs) for the year ended 31 March 2012.

In the process of acquisition of land, various provisions of Land acquisition Act, 1894 were not adhered to which resulted in judicial interventions to resolve the disputes relating to land acquisition. The Government released the notified land from the acquisition process in violation of the Land Acquisition Act which adversely affected the development plans of HUDA. Further, due to deficiencies in the process of land acquisition, the concerned departments had to make extra payment on account of interest, bear loss of interest due to parking of funds outside the Government account, etc. These issues have been highlighted in the audit findings.

### **2.3.2. Organisational set-up**

The Urban Estates Department (UED) is responsible for acquisition of land for HUDA. UED is working under the administrative control of Principal Secretary (PS), Town and Country Planning Department (TCPD) and UED. The Director General (DG), UED is responsible for the overall management of matters relating to acquisition and release of land to landowners, builders and developers. He is assisted by an Additional Director. There are five Land Acquisition Officers (LAOs) located at Faridabad, Gurgaon, Hisar, Panchkula and Rohtak.

Land for the Public Works Department (PWD), Buildings and Roads (B&R) is acquired by LAOs stationed at Ambala, Bhiwani, Gurgaon and Hisar. The LAOs located at Ambala and Bhiwani acquire land for use by the Irrigation Department. Apart from this, land for PHED and Irrigation Department is also acquired by the District Revenue Officers-cum-Land Acquisition Collectors (DROs-cum-LACs) of respective districts. The departments of Irrigation, PHED and PWD (B&R) are under the administrative control of respective PSs/Additional Chief Secretaries and Engineers-in-Chief (EICs) of respective departments are heads of departments.

### **2.3.3. Audit objectives**

A performance audit was carried out to evaluate the economy, efficiency and effectiveness in the acquisition and development of land by the selected departments. The main objectives were to ascertain whether:

- there was proper planning for the acquisition of land for various development purposes;
- the process of land acquisition was efficient, effective and economical in accordance with the land acquisition Act and policy framed thereunder;
- allotment and utilisation of acquired land was efficient and effective;
- human resources and infrastructure for acquisition and release of land were adequate; and
- internal controls and monitoring mechanism were in place and were effective.

### **2.3.4. Audit criteria**

The following were the sources of audit criteria:

- Master Development Plans of various towns and cities.
- Provisions of the Land Acquisition Act, 1894 and Standing Orders of Revenue Department.
- Rehabilitation and Resettlement Policy of the State Government.
- Provisions of HUDA Act, 1977.
- Allotment and lease policies of HUDA.
- Executive instructions and circulars issued by the State Government and judicial pronouncements from time to time.



### 2.3.5. Audit Scope and methodology

During performance audit, the records relating to financial management, land acquisition and allotment pertaining to the period 2007-12 were test checked between April and June 2012.

Three<sup>1</sup> out of five LAOs, seven<sup>2</sup> out of 18 Estate Offices of HUDA in six<sup>3</sup> districts out of 21 districts, were selected by using the Probability Proportionate to Size Without Replacement (PPSWR) method. Similarly, 15 works divisions and four LAOs / DRO-cum-LACs falling in these districts were also covered during audit (*Appendix 2.13*). A joint Entry Conference was held with the EIC of PWD (B&R), PHED and Irrigation Department while separate Entry Conference was held with PS, TCPD in April 2012. Important issues regarding land acquisition, audit objectives and audit criteria were discussed in these conferences. Exit Conferences were held separately with PS, TCPD, Additional Chief Secretary, Irrigation Department and Additional Chief Secretary, PWD (B&R) in November 2012 where the audit findings were discussed. The replies of the department have been suitably incorporated in the report.

### 2.3.6 Acknowledgement

Office of the Principal Accountant General (Audit), Haryana acknowledges the co-operation extended by the UED, TCPD, HUDA, PWD (B&R), Irrigation and PHED and their subordinate offices in providing information and records for conducting audit.

### Audit Findings

The audit findings in the implementation of Land Acquisition Act 1894 and policy framed thereunder are discussed in succeeding paragraphs below:

### 2.3.7 Status of Acquisition and Allotment of Land at State Level

Land is an asset of finite magnitude. Therefore, it is important to regulate land use through a policy framework that optimises public good and reconciles with various competing demands for land. The Government had not made any nodal department for maintaining information about the land acquired, funds provided for acquisition of land by various departments and the expenditure incurred thereon in the State. A consolidated detail of Government land allotted/leased was

- 
- 1 (i) Faridabad, (ii) Gurgaon and (iii) Rohtak.
  - 2 (i) Rohtak, (ii) EO-1 Gurgaon, (iii) EO-2 Gurgaon, (iv) Faridabad, (v) Panipat, (vi) Rewari and (vii) Sonapat.
  - 3 (i) Faridabad, (ii) Gurgaon, (iii) Panipat, (iv) Rohtak, (v) Rewari and (vi) Sonipat.

not available with any department. Audit further observed that data regarding total available land and utilisation thereagainst was also not maintained by the PWD (B&R), Irrigation and PHED. Thus, in the absence of this vital information, total Government land available with different departments and its utilisation could not be verified in audit. The Government may prepare land pool for management of Government land for its economical and effective use.

### **2.3.7.1 *Inadequate planning for urban development***

The State of Haryana is stretched over an area of 44, 212 sq. km<sup>4</sup>, out of which 2,347 acres is wasteland. Thus, most of the land in the State is suitable for agriculture and more than three-fourth of the population is engaged in agriculture. The TCPD is responsible for regulation, development and checking the haphazard development in and around towns. For this purpose, Development plans of cities are prepared for a period of 20 years. Audit observed that there was no proper system in place for Mid-term corrections. However, Mid-term corrections were carried out by TCPD on need basis. It was further observed that TCPD had not formulated any land use policy defining its sector-wise priorities in utilization of wasteland for the present and future needs for development purposes so as to release the pressure on the fertile land.

The PS, TCPD stated (November 2012) that although greenfield towns were envisaged by declaring controlled areas, the growth of existing towns cannot be wished away. Therefore, the expansion of the towns in surrounding agricultural areas was inevitable.

Audit recommends that the Government may consider developing wastelands for industrial, commercial, residential, educational and other purposes in order to reduce coverage of fertile land for urban development.

### **2.3.7.2 *Unplanned release of land to land developers and builders***

The process of land acquisition by UED is initiated at the instance of Administrator, HUDA in accordance with the proposal contained in its development plan. After carrying out the survey of the proposed land by the Joint Site Inspection Committee, the declaration under Section 6 is issued by UED. In order to involve private colonizers and developers in urban development, TCPD issues licences under the Haryana Development and Regulations of Urban Areas Act, 1975.

Audit observed that for developing residential sectors 58 to 63 and 65 to 67 in Gurgaon, notification under Section 4 for acquiring 1407.07 acres of land from private land owners was issued on 10 June 2009. Declaration under Section 6 was made on 31 May 2010 for acquiring 850.10 acres of land. Considering the fact that HUDA had not floated any sector in Gurgaon for more than six years, the Chief Administrator, HUDA emphasized (November 2010) that no application for

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<sup>4</sup> Source: Statistical abstract of Haryana for the year 2010-11.

issue of licenses to colonizers and builders for land development should be considered after issuing declaration under Section 6.

Administrative approval of ₹ 831.38 crore was accorded in December 2010 by the PS, TCPD for acquisition of 850.10 acre land with the direction that pending applications for issue of licenses should be processed but no fresh application for licenses involving release of land should be considered.

The case was re-examined in a meeting of the High Power Committee held on 23 May 2012 under the Chairmanship of PS, TCPD wherein it was observed that after issue of notification under Section 6, only 491.10 acres of land could be considered for announcement of award as the balance area was under consideration of High Power Committee for the grant of licenses to developers. The Committee also observed that a large chunk of the land had been excluded from the acquisition proceedings between Sections 4 and 6 and even after issuance of declaration under Section 6.

The Committee further observed that area released to developers was not planned properly with the result that land available for the announcement of award was scattered in approximately 153 pockets ranging from few *Marlas* to few acres. Keeping in view the opinion of Apex Court given on 19 April 2012 against the large scale exclusion of land from acquisition proceedings in favour of the developers, the Committee decided to abandon the acquisition of land for development of sectors.

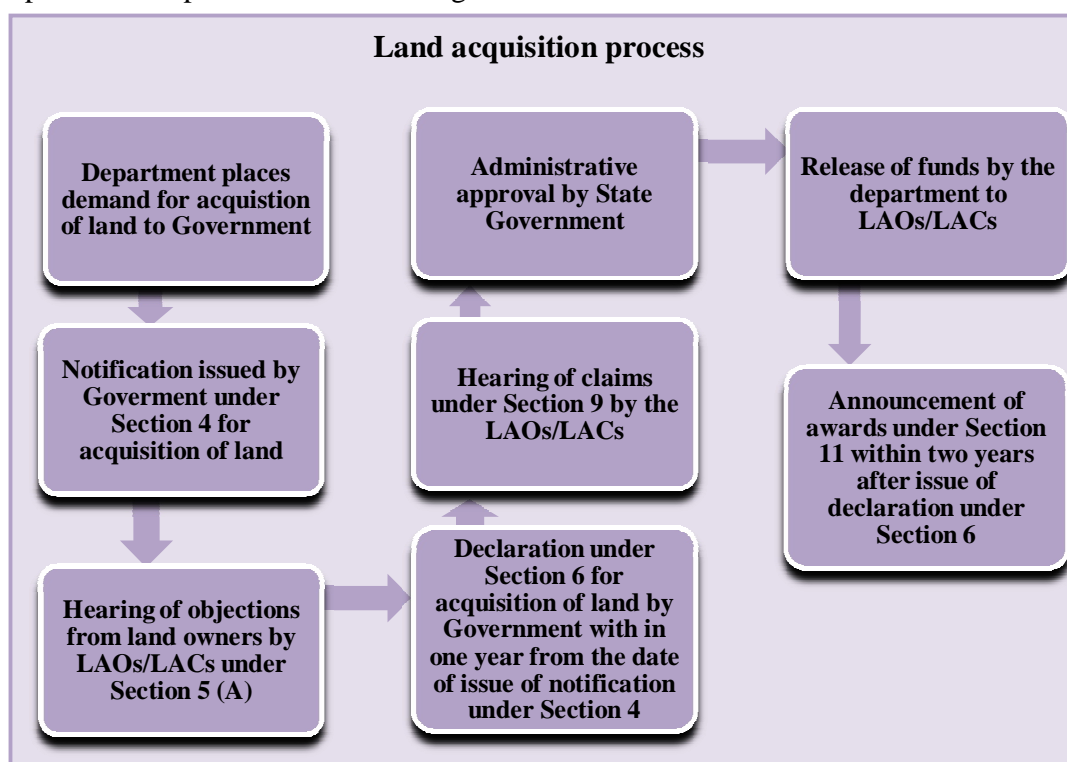
It would be seen from the above that after starting the proceedings for acquiring land by the UED for a public purpose, 359 acre land was released to the developers. As the meaningful urban development was not possible with the balance 491.10 acre of land, the land acquisition proceedings were abandoned. Thus, due to inadequate planning in issuance of licences to private colonizers and developers, HUDA could not develop the area in accordance with the development plan.

The PS, TCPD stated (November 2012) that release of land was not in violation of the Land Release Policy, 2007 and no fresh application for release of land was considered after instructions were conveyed by DG, UED. However, the pending applications were considered in accordance with the policy and as per directions of Director, TCPD. The reply was not appropriate as after starting the proceedings for acquiring land for a public purpose by UED, a major part of the land was released to the developers, which was indicative of ill planning.

#### **2.3.8. Acquisition of land**

The process of land acquisition starts with issue of a notification under Section 4 of the Land Acquisition Act, 1894 to be published in the official gazette for survey of land. Any person interested in land notified under Section 4, may object to such acquisition before the Collector, who shall give the applicant/aggrieved

person an opportunity of being heard. After hearing the objections, the Collector shall make a report together with record of proceedings held by him to the Government, with his recommendations. Thereafter, a declaration shall be made under the signature of an officer of the level of Secretary to Government under Section 6 for publication of notification to the effect that the land is needed for public purpose. The Collector shall then obtain an order from Government for acquisition of land under Section 7 of the Act. The Collector shall make appropriate award under his hand, within two years from the date of declaration under Section 6 (1), provided that no award shall be made by the Collector without the previous approval of Government. In cases of urgency, whenever the Government so directs, the Collector, though no such award has been made, may, on the expiration of 15 days from the publication of notice under Section 9(1) take possession of any land needed for a public purpose. Such land shall, thereupon, vest absolutely in Government, free from all encumbrances. The Land Acquisition process is depicted in the following chart:



The centralized data with regard to total land acquired and compensation paid was not available with Irrigation Department, PWD (B&R) and PHED. The data was lying scattered in the works divisions. It was not consolidated even at circle level. However, UED was maintaining such data in respect of HUDA.

Audit compiled the data in respect of land acquisition and compensation paid from the records of works divisions and collected the data from UED in respect of HUDA. The details of land acquired by UED for HUDA and Irrigation Department, PWD (B&R) and PHED, compensations paid during the period 2007-12 are given in **Table 1**.

**Table 1: Details of land acquired and compensations paid during 2007-12**

Year	Land acquired by (In acres)			Compensation paid by (` in crore)		
	UED for HUDA	PWD (B&R), Irrigation and PHED	Total land acquired	UED for HUDA	PWD (B&R), Irrigation and PHED	Total
2007-08	2480	1492	3972	557	417	974
2008-09	828	1141	1969	129	233	362
2009-10	5272	425	5697	2660	87	2747
2010-11	5546	852	6398	3360	200	3560
2011-12	1205	914	2119	735	292	1027
<b>Total</b>	<b>15331</b>	<b>4824</b>	<b>20155</b>	<b>7441</b>	<b>1229</b>	<b>8670</b>

**Source: Data provided by Additional Director, Urban Estates, Panchkula and data compiled by Audit in respect of works division.**

### **2.3.8.1 Provisions of Land Acquisition Act not followed**

Scrutiny of records of Land Acquisition Officers/Land Acquisition Collectors in the test checked districts revealed that the mandatory provisions of the Land Acquisition Act were not followed in acquisition of private land.

In Panipat district, the work of project for extension of Chamrara Minor was executed during 1984-85. An area about 9.41 acre of village Mandi was under extension portion of the channel. The construction of the channel was done without acquiring the land as per provision of Land Acquisition Act. Subsequently, the land owners went to the court for land compensation and the department paid ` 11.16 lakh as land compensation in December 2010. Thus, the land was acquired by the department without following laid down procedure under the Land Acquisition Act.

### **2.3.8.2 Delay in land acquisition proceedings**

A notification under Section 4 was issued by Government in September 2007 for acquiring 7 acre, 6 kanal and 1 marla land for construction of Nosuha minor in district Jhajjar. As per the Act, declaration under Section 6 was to be made within one year from the date of issue of notification under Section 4. Declaration under Section 6 was, however, issued in April 2009. As the declaration under Section 6 was issued after one year of the issue of notification under Section 4, it was not valid. As such, fresh notification under Section 4 was issued in April 2010 and declaration under Section 6 in February 2011 and awards were announced in November 2011. Lapse of original notification issued under Section 4 in September 2007 resulted in avoidable expenditure of ` 42.23 lakh due to escalation in price of land.

The EE, Mahendergarh Canal Water Services Division, Charkhi Dadri stated (May 2012) that notification under Section 6 of the Act could not be published within the prescribed time limit due to non-settlement of objections under Section 5A of the Act in respect of land of village Bhagot by the LAC, Narnaul. The reply was not acceptable as the objections of the landowners were required to be settled within the time limit of one year as prescribed in the Act. During the Exit

Conference, the Additional Chief Secretary, Irrigation Department also attributed the delay on the part of LAC concerned.

### **2.3.8.3 Delay in acquisition of land due to inadequate survey**

Section 17 of the Act *inter alia* lays down that in cases of urgency, whenever the Government so directs, the Collector may, after fifteen days from the publication of the notice mentioned in section 9, sub-section (I), take possession of any land needed for a public purpose. The Government may direct that the provisions of section 5-A which require hearing of objections of landowner, shall not apply in these cases.

Scrutiny of records of LAO, Faridabad revealed that a notification under Section 4 was issued on 14 August 2008 for acquiring 1170.51 acre for the development of Master road for Sectors 75-89, Faridabad by invoking emergency clause under section 17. Later on, the said area was corrected as 1168.48 acres due to arithmetical mistake. As envisaged under section 4 of the Act, before issuing notification, preliminary survey of the proposed land was not carried out. While giving demarcation of Sector roads, thickly populated areas were also notified. Revised demarcation plan was approved in May 2010. Declaration under Section 6 was issued on 30 August 2008 for acquiring 1029.63 acres of land after excluding thickly populated areas. The Director, UED directed Senior Town Planner (July 2009) to hold a preliminary enquiry for the *faux pas* and gross negligence on the part of District Town Planner, Faridabad in demarcating the area. The outcome of the inquiry was not shown to Audit.

It was observed during audit that rates of ` 16 lakh per acre were fixed by the committee (August 2009) headed by the Commissioner, Gurgaon and administrative approval of ` 241.46 crore was accorded by PS, TCPD on 10 March 2010 for acquiring land measuring 1029.63 acres. Due to delay in finalization of demarcation plan, rates in the surrounding areas increased with the result that land owners started agitation demanding higher compensation of land. Another Committee constituted (May 2010) under the Chairmanship of the Commissioner, Gurgaon increased the rates from ` 16 lakh to ` 42 lakh per acre. On the basis of the recommendations of the Committee, the award was announced by LAO, Faridabad in August 2010 for 1029.63 acre of land and administrative approval of ` 241.46 crore was increased to ` 659.70 crore (August 2010).

Scrutiny of the records further revealed that the award had to be restricted to 934.50 acres and an amount of ` 470.54 crore was disbursed to the farmers by the LAO up to March 2012. The remaining land could not be acquired as eight writ petitions were filed (2010) by landowners in the High Court to quash the notification under section 6 by invoking emergency clause on the plea that the public purpose cannot be termed as such an emergency where the State could not wait for 30 days to give the benefit of Section 5 A of the Act to the land owners. The Court quashed (May 2011) the notification issued under Section 6 in respect of the land of these landowners and directed the land owners to file objections under Section 5 A of the Act against the proposed acquisition with the result that

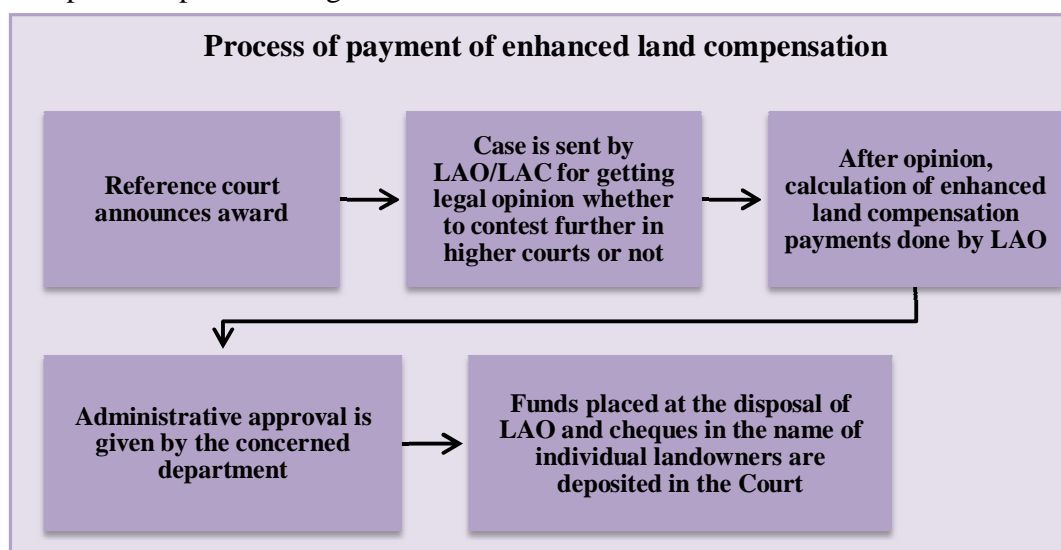
the objective of the acquisition of land could not be achieved even after four years of acquisition of land by invoking emergency clause (November 2012).

Thus, inadequate preliminary survey for land acquisition resulted in delay in announcement of award and consequent escalation in cost of land by ₹ 418.24<sup>5</sup> crore. Further, invoking emergency clause without any emergent situation resulted in blocking of funds of ₹ 470.54 crore as the Master Road had not yet been developed (January 2013).

While admitting the lapse regarding inadequate survey, the DG, UED intimated that disciplinary action had been initiated against DTP for this lapse. Final outcome of the disciplinary case was awaited (December 2012).

#### 2.3.8.4 Delay in payment of enhanced land compensation

As per Section 28 of the Act, the LAC was required to pay interest on the enhanced compensation awarded by the court at the rate of nine *per cent* for the first year and 15 *per cent* per annum for the subsequent years from the date on which the Collector had taken possession of the land to the date of payment. The steps in the process are given in Chart below:



It was observed that there was inordinate delay in making payments of enhanced land compensation awarded by Courts during the period under audit. As a result of this, extra payment of interest of ₹ 4.93 crore had been made and liability amounting to ₹ 21.84 lakh had been created on this account. The extra payment has been calculated after giving time of 90 days, which is reasonable, in the opinion of Audit, for processing the cases for payment from the date of award. The details are given in **Table 2**.

5 ₹ 659.70 crore minus ₹ 241.46 crore

**Table 2: Details of extra payment of interest**

Name of the office	Name of the LAO/DRO/LAC	Month of Court's Decision	Month of payment	Delay in months	Extra interest paid (₹ in lakh)
PHED-III, Palwal	Palwal	February 2009	February 2011	24	49.99
Rewari Lift Irrigation Division, Rewari	Gurgaon	August 2011	Not paid upto May 2012	9	21.84
Ghaggar Water Services Division, Sirsa	Sirsa	October 2010	April 2012	18	7.33
<b>HUDA</b>					
HUDA, Gurgaon	Gurgaon	1 October 2010	March to December 2011	10 to 15	87.32
HUDA, Rohtak	Rohtak	Between November 2008 and April 2010	Between December 2010 and April 2011	8 to 29	169.89
HUDA, Faridabad	Faridabad	May 2006 to October 2010	Between May 2010 and September 2011	9 to 60	178.53
<b>Total</b>					<b>514.90</b>

**Source: Data compiled from departmental records.**

The EE, PHED-III, Palwal stated (June 2012) that enhanced land compensation was deposited late due to litigation in the High Court. The DRO-cum-LAC, Gurgaon stated (May 2012) that the Executive Engineer concerned was being asked to calculate the amount payable to the land owners.

Further in case of Ghaggar Water Services Division, Sirsa, the Additional Chief Secretary, Irrigation department stated (October 2012) that there were some procedural delays in getting the sanction about enhanced land compensation and it was not intentional on the part of any officer/official. The reply was not acceptable as the delay should have been avoided since it involved payment of interest out of Government funds.

Similarly, funds for land acquisition for a drinking water supply scheme for 64 villages of Nangal Chaudhary Block (District Mahendergarh) were deposited late (October 2011) by the department with DRO-cum-LAC, Narnaul, as a result of which awards were delayed for the period ranging from two to four months which led to avoidable payment of interest of ₹ 40.85 lakh.

While accepting the delay in the release of LOC, the EIC stated (October 2012) that due to procedural formalities involved, there was a gap between the period when demand for LOC was made by Executive Engineer-2, Narnaul and the date on which payment was actually released to the beneficiaries. The PS, TCPD stated during Exit Conference that the process of awarding the enhanced compensation by the courts depends upon decision on the references filed under Section 18 of the Land Acquisition Act, 1894 by the Reference Court, decision on the Regular First Appeals (RFAs) filed either by the land owners or by the State in the Hon'ble High Court and SLPs in the Apex Court. As such, the delay can be accounted for only after final settlement of the case by the Apex Court.

The reply was not convincing as only those cases have been mentioned in the paragraph where there were abnormal delays in making payment after announcement of decisions and period of delay has been calculated after giving of



rebate of 90 days. During Exit Conference, the PS requested to provide necessary details which were provided. Further reply was awaited (December 2012). Thus, there is a need to review and put in place a proper and effective system for payment of land cost to avoid payment of interest.

### **2.3.8.5 Payment of enhanced land compensation**

Section 18 of the Act envisages that any person who has not accepted the award may give a written application to the Collector. The Collector is required to refer the matter to the Court for resolving the dispute regarding measurement of the land, the amount of the compensation, the persons to whom it is payable or the apportionment of the compensation among the persons interested. Further, the affected parties can approach Higher Courts for the redressal of their grievances.

Scrutiny of records of UED revealed that the amount of compensation awarded by District judges between 31 March 1988 and 5 May 1993 in respect of nine cases was challenged by the department in the High Court of Punjab and Haryana, Chandigarh. The court had reduced the enhanced land compensation resulting in recovery of ` 89.85 crore. The landowners filed Special Leave Petitions (SLPs) in the Apex Court. The SLPs filed by landowners were dismissed in four cases. The department could recover only ` 20.52 crore from some of the landowners. The remaining cases involving recovery of ` 69.33 crore were pending before the Apex Court (August 2008). Some of the landowners approached the Chief Minister for the waiver of recovery. However, the proposal about waiver was not accepted by a committee headed by PS, TCPD stating that such an action would set a bad precedent. Contrary to the decision taken in the meeting held on 18 August 2009, the Additional Advocate General made a statement on 11 November 2009 in the Apex Court that the Government had taken a decision 'in principle' to accept the award of the Reference Court and would file an affidavit within two weeks in this regard. However, the TCPD did not accept the submission made by the Additional Advocate General (AAG) stating that it was not based on an approved decision of the Government. Therefore, Director, TCPD formed a sub-committee headed by Additional Director, UED to examine the issue and submit further recommendations for consideration of the Government to decide about course of action on the submission made before the court. The sub-committee in its meeting held on 1 February 2010 discussed two alternatives viz; whether to honour the submission made by AAG or deny the submission stating that the same was not based on the decision of the Government.

Scrutiny by Audit revealed that the State Government decided not to retract the statement made by the Standing Counsel despite the fact that the Apex Court had already upheld the orders of the High Court in four similar cases in which the High Court had reduced the enhanced land compensation awarded by Reference Courts. Instead, based upon the negotiations held with the landowners in the Lok Adalat appointed by the Apex Court, it was decided to settle the matter by agreeing for award of enhanced land compensation at the rate fixed by the Reference Court minus ten *per cent* of the amount. On the basis of the agreed amount, the Apex Court

ordered (March 2010) that the land owners would be entitled to all statutory benefits along with interest on compensation amount.

The PS, TCPD stated during Exit Conference that the observation regarding fixation of the land cost on the basis of statement made by the Standing Counsel was not correct. After the said statement, the Apex Court had directed the Standing Counsel to file an affidavit on behalf of the State Government in this regard. The matter was deliberated within the State Government through different committees and negotiations were held with land owners. After deliberations, a mutually agreed one time settlement was offered in the Apex Court to grant the compensation at 10 *per cent* less than the award given by the Reference Court without treating it as a precedent. This settlement was agreed to by the Apex Court and the cases were accordingly disposed of. Hence the statement of the standing counsel had no effect on the outcome of the case.

Thus, due to unauthorised statement given by the AAG before Apex Court, the matter had to be resolved through Lok Adalat and the Government had to forego recovery of ` 40.62<sup>6</sup> crore.

#### **2.3.8.6 Acquisition of land under prohibited area**

As per notification of the Government of Haryana, Forest Department, issued in August 1992, the area falling under the *Aravalli* Hills ranges, Faridabad was notified under Punjab Land Preservation Act 1900, as applicable to Haryana, on which no buildings can be constructed.

A mention was made in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2005 (Civil), Government of Haryana regarding acquisition of 483.69 acre prohibited land in Mewla Mehrajpur, Faridabad in February 1995 for development of residential Sectors 44 and 47. In pursuance to a Public Interest Litigation filed in 2002 with the Apex court, the DFO, Faridabad had issued notices to HUDA and DTP, Faridabad stopping construction activities on this land blocking ` 62.37 crore on acquisition of land. In the Action taken note, HUDA assured the Public Accounts Committee that it had been decided to take action for de-notification of land covered under Section 4 of Punjab Land Preservation Act. The Audit, however, noticed that the land had not been de-notified (February 2013). HUDA has further paid a sum of ` 190.45 crore to the landowners upto March 2012 on account of enhanced land compensation awarded (May 2007) by Hon'ble High Court to the land owners with the result the total amount invested in this project had increased to ` 252.82 crore (March 2012).

The PS stated during Exit Conference that request of HUDA had not been considered favorably by the Apex Court and HUDA had taken up the matter at appropriate level and had agreed to implement the recommendations of Central

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<sup>6</sup> (Total award of Reference Court: ` 4,92,35,92,822 less 10 *per cent* ` 49,23,59,282) =  
` 4,43,12,33,540 less award announced by High Court ` 4,02,50,63,204 =  
` 40,61,70,336.

Empowered Committee appointed by the Supreme Court. He also stated that there was a difference between Reserve Forest Land and area notified in August 1992 under section 4 and 5 of Punjab Land and Preservation Act, 1900 (PLPA). He further intimated that the Apex Court interpreted treatment of reserve land as Forest Area in March 2004 whereas the notification under Section 6 of Land Acquisition Act, 1894 was issued in September 1993.

The reply was not convincing as notification under section 6 of the Act was issued in September 1993 i.e. after one year of the notification of the land under section 4 and 5 of Punjab Land Preservation Act 1900 (August 1992). Thus, due to acquisition of land notified under Punjab Land Preservation Act 1900, an expenditure of ₹ 252.82 crore proved to be unfruitful as the residential sectors could not be developed even after 20 years of acquisition of land.

### 2.3.9. Release of land out of land acquisition process

The acquisition of private land is regulated by Land Acquisition Act, 1894. Section 48 of the Act *inter alia* lays down that after the initiation of Land Acquisition proceedings, the Government shall be at liberty to withdraw from the proceedings of acquisition of any land, the possession of which has not been taken. Thus, if possession of land has been taken following the due procedure under the LA Act, Government has no power to withdraw from land acquisition proceedings. Accordingly, the Government framed a comprehensive Land Release Policy in September 2007 which *inter alia* lays down as under:

- requests regarding release of land to the applicants would be considered within one year from the date of announcement of award.
- only those requests would be considered where the ownership of land was with the applicants prior to the issuance of notification under Section 4.
- Objections had been filed by the landowners under Section 5 A.
- Government may release any land under Section 48 (1) of the Act under exceptionally justifiable circumstances for the reasons to be recorded in writing.

The details of land acquired and land released during 2007-12 are given in **Table 3**.

**Table 3: Details of land released from land acquisition process**

Year	Private Land acquired	Land released to private colonizers	Built up structures	Vacant land	Total
(In acres)					
2007-08	2480	252	171	Nil	423
2008-09	828	371	38	6	415
2009-10	5272	661	37	135	833
2010-11	5546	554	11	Nil	565
2011-12	1205	233	7	Nil	240
	<b>15331</b>	<b>2071</b>	<b>264</b>	<b>141</b>	<b>2476</b>

Source: Data provided by DG, Urban Estates, Haryana

It would be seen from the above table that out of 15,331 acre of land notified for acquisition, 2,476 acre was released to land owners. Out of this, 2,071 acre was released to the private colonizers. Cases of deficiencies in the release of land in contravention to the Land Acquisition Act are discussed in the succeeding paragraphs:

### **2.3.9.1 Release of land from acquisition process**

A notification under section 4 of the Act was issued (February 2002) for acquisition of 126.39 acres of land in village Ratgal and 1.17 acres in village Dara Kalan (Kurukshetra). Declaration under Section 6 of the Act was made (February 2003) for acquisition of 118.52<sup>7</sup> acre land. The LAO, Panchkula announced (February 2005) the award for 116.85 acre land and released 1.67 acres land of Ratgal village at the time of announcing award.

One of the landowners represented (June 2005) to the Director, UED for the release of land from acquisition on the grounds that there was an orchard measuring 34 Kanal 7 Marlas and 65 Kanal 1 Marla, which was not considered favourably as there was no justification to release the land since the area was proposed to be developed as commercial belt of Kurukshetra. However, the issue was reconsidered (October 2005) and release of the said land was recommended under section 48 of the Act. Following above orders, an area of 326 Kanal and 8 Marla (40.80 acre) belonging to 31 persons was released from the land acquisition process.

Audit observed that while reconsidering the case, the Government's authority under Section 48 of the Act was wrongly interpreted. In fact, Section 48 deals with the withdrawal of the Government from the acquisition of any land, the possession of which has not been taken. But in this case, the award had been announced by the LAO for the entire land and hence the title of the land had transferred from the landowners to HUDA. Consequent to the above action, another 30 land owners filed Civil Writ Petitions in the High Court of Punjab and Haryana for quashing the land acquisition awards in respect of their respective land on the grounds of discrimination. While defending the case of release of land in the High Court, the Advocate General contended that land of the petitioners and other similarly situated persons would be released from acquisition process. The Advocate General contended that with a view to keep the religious character of Kurukshetra intact, the acquisition of land in Kurukshetra would be confined to maintenance of essential services in future. In view of this, the High Court disposed of the petitions and passed directions (October 2007) that keeping in view the religious character of Kurukshetra, the future acquisition of land would be limited to maintenance of essential services.

It was observed that out of ` 5.07 crore disbursed to landowners after the announcement of the awards, ` 4.45 crore had been recovered and ` 0.62 crore were yet to be recovered (October 2012). The release of land hampered the

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7 Ratgal: 117.48 acre and Dara Kalan: 1.04 acre.

development of the area, besides blocking of funds of HUDA for more than five years.

The PS, TCPD stated during Exit Conference that 31 petitions were filed against the acquisition of 118.52 acres of land notified under Section 6 on 10 February 2003 and the area under the writ petitions was not contiguous but was scattered all over the sector making it almost impossible to use the same for development. It was decided by the State Government to acquire 38.5 acres of land for sewerage treatment plant and cremation ground only. He further stated that the Advocate General accordingly made the statement in the Hon'ble High Court. The order about not taking up any further acquisition in the town of Kurukshetra was modified after intervention by the State Government through Advocate General. Therefore, it was wrong to say that Advocate General had made any wrong statement in the Court. Subsequently, the owners who had earlier obtained the compensation also filed writ petitions for return of their land. After due deliberation, the decision was taken to return their land also.

The reply of the PS was not appropriate as after the vesting the title of land and its ownership with HUDA, the notification about acquiring the land cannot be withdrawn or cancelled in exercise of powers under Section 48 of the Land Acquisition Act. The action of the Government to release the said land was, as such, against the provisions of the Act.

#### **2.3.9.2 Release of land in violation of provisions of the Act**

The Land Release Policy 2007 stipulates that only those requests can be considered by the Government under Clause 1 where objections under section 5A have been filed. Further, Clause 5 of the said policy stipulates that the ownership of the land should be with the applicant prior to the issuance of notification under section 4 of the Act. Scrutiny of records of UED revealed that notification to acquire 166.44 acres of land in Village Ullahwas (District Gurgaon) under Section 4 was issued on 2 June 2009 for developing residential sectors 58 to 63 and commercial Sectors 65 to 67 in Gurgaon. The area included *Shamilat Deh* of Gram Panchayat (GP).

After the issue of notification under Section 4, Rajiv Gandhi Charitable Trust requested (July 2009) the GP, Ullahwas for leasing land measuring 5 acre 3 marla for 33 years for opening an eye hospital. The GP passed a resolution (July 2009) for leasing the notified land to the Trust for 33 years and sent the case to the Government for approval. The State Government approved the proposal of GP on 14 December 2009 and the land was leased at a rate of ` 3 lakh per acre with progressive increase of 5 *per cent* every year. The lease agreement was signed in January 2010.

Declaration under Section 6 was made on 31 May 2010. The Trust applied on 20 October 2010 to TCPD for Change of Land Use (CLU) for establishment of an eye hospital after issuance of notification under Section 6. As per the Development Plan, the site had been earmarked for residential zone whereas the application for

CLU was for establishment of an eye hospital. The Trust was asked to get the land released before applying for CLU. The Punjab Scheduled Roads and Controlled Areas Restriction of Unregulated Development Rules, 1965 relating to CLU was modified by issuing a notification (08 November 2010) making the lessee of Panchayat Land eligible for applying for CLU. The proposal for the grant of CLU to the Trust was accepted (1 December 2010) subject to the condition that the land would be released by the Government. The proposal about release of land was submitted on 3 December 2010 and was granted on the same day.

Instructions issued (March 2008) by the State Government inter alia laid down that the lessee shall put the leased land to the permitted use within two years from the date of commencement of lease period. Audit observed (December 2012) that even after two years, work regarding construction of the eye hospital had not been started by the Trust thereby defeating the very purpose for which CLU was granted and land leased.

The PS, TCPD stated during Exit Conference that the land was released in favour of the GP which was the owner of the land, but CLU had been granted in favour of the Trust as per policy of the department. He further stated that the grant of CLU had been processed as per policy of 08 November 2010 which permitted CLU to the lease holders of GP's land. He further stated that the Government had powers to consider release of land under Section 48 of the Act where award of the same had not been announced and therefore, the release of land had been done in accordance with the policy dated 26 October 2007.

The contention of the PS was not in order as the GP had leased the land after issue of notification under Section 4 which was against the provisions of the Act as the owners cannot create any encumbrance on the land after the issue of notification under Section 4. Further, GP which was the owner of the land, had not approached the Government for the release of land at any stage; the Government changed the relevant rules on 8 November 2010 whereas the application of the Trust was made on 20 October 2010; the department granted CLU for establishing an eye hospital by the Trust in violation of its Development Plan as the area had been demarcated as residential area; the Government released land in contravention to the land release policy as no objection was filed by the GP under section 5-A and before leasing its land, the GP had not given proper publicity/advertisement for calling applications from the interested parties, as required under Rule 10 of the Punjab Village Common Lands (Regulation) Rules, 1964, to participate in the competition for ensuring transparency in the bidding process.

### ***2.3.9.3 Release of land to M/s Uddar Gagan Properties Private Limited after handing over possession of land by HUDA***

Clause 1 of Land Release Policy 2007 prescribes that no request for release of land out of the land acquisition process would be considered after one year of announcement of award. Notifications for acquisition of 135.026 acre of land to develop Sectors 6 and 7 of Urban Estate, Rewari was issued (January 2006) under Section 4 of the Act. After hearing objections, notification under Section 6 was issued on 9 August 2006. M/s Uddar Gagan Properties Private Limited (firm) had

applied on 29 August 2006 for grant of license for developing a residential colony on 136.269 acre land on the above notified land. The request of the firm was examined and rejected (8 December 2006) on the ground that development plan had not yet been published, which was a pre-condition before issuing license. The award was announced on 7 December 2006 and possession of 135.026 acre land was handed over to HUDA on the same day. Out of 136.269 acres of land, for which colonizer (firm) had applied for issue of license, HUDA was in possession of 135.026 acre land and no area was left for being released to the developer.

Aggrieved with the decision about the rejection of its application for issue of license, the firm filed (16 December 2006) a petition in the Punjab and Haryana High Court. The High Court observed (19 August 2008) that application of petitioner may be considered on merits in the light of existing policy as question of discrimination under Article 14 of the Constitution of India can be raised at any stage. It was recorded (29 January 2009) by DTCP that no powers were vested in the Government to consider release of land, the possession of which had already been taken by HUDA, therefore, the application for release of land should be rejected. It was ordered by the Government to re-examine (16 June 2009) the case in the light of the orders of the High Court and on the advice of the Advocate General on the plea of application of Article 14 of the Constitution. The entire land was released (3 July 2009) from land acquisition process.

Audit observed that the basis for the decision was not correct as neither the High Court nor Advocate General had opined that there was any discrimination with M/s Uddar Gagan vis-a-vis M/s Ansal Housing and Construction Private Limited at any stage. Further, the issue of discrimination had already been examined at length (28 January 2009) by the department where it was concluded that there was no issue of discrimination in this case attracting Article 14 of the Constitution. Moreover, the action of the department in releasing the land in favour of the colonizer was not in consonance with the land release policy of the Government as the land was released after two and half years of the acquisition of land. Due to release of land, the objective of notifying the land for acquisition i.e. for development of Sectors 6 and 7 of Urban Estate, Rewari could not be achieved.

The PS, TCPD stated during Exit Conference that the High Court had stayed (August 2007) the dispossession of land on the CWP filed by M/s Uddar Gagan Pvt. Limited challenging the rejection of licence and acquisition of land. While disposing of the CWP vide orders dated 19 August 2008, the High Court had directed the State to decide the licence application on merits in the light of existing policy. In view of the fact that the possession of land was with the land owners/developer, the matter was examined on merits taking into consideration the order of High Court as well as per existing policy and it was decided to grant the licence after release of land. The PS, TCPD further mentioned that the State Government decided the matter in view of the existing policy because the dispossession of the land was stayed in favour of land owners, therefore, Government was empowered to invoke section 48 (1) of the Act.

The reply given by the PS does not address the issue as the High Court, while disposing of the petition, had ordered that application for release of land could be

considered under Article 14 of the Constitution if the developer had been discriminated against. In fact, the issue of discrimination had already been dwelt at length by the department in January 2009 and it was clearly established that no discrimination had been done against the developer. The LR had also not given his opinion at any stage that the developer had been discriminated against. Thus, despite the fact that there was no case of discrimination, the Government released the land in favour of the developer more than two years after the announcement of award which was against the provisions of Land Acquisition Act.

#### **2.3.9.4 Extension of time to developers**

Section 8 of the Haryana Development and Regulation of Urban Areas Act, 1975 prescribes that a license granted under this Act, shall be liable to be cancelled by the Director if the colonizer contravenes any of the conditions of the license or the provisions of the Act or the rules made thereunder. Further, LOI issued is valid for 30 days and could be extended for another 60 days

An area of 504.57 acres of land was notified for acquisition of land under Section 4 on 15 December 2006 for developing a housing colony in Sector 36A, Rohtak and declaration under Section 6 was issued in December 2007. Land measuring 14.813 acres was released in favour of M/s Sonika Properties. Besides, the firm was also issued (September 2008) LOI for the purpose.

The LOI was withdrawn (December 2009) by the Director, TCPD as the applicant company had failed to fulfill any of the terms and conditions of LOI. The Director, UED proposed (May 2010) that the land released to the colonizer should be notified for acquisition. However, without recording any reason, the applicant was given '*one more opportunity*'. Accordingly, the matter of acquisition of land was dropped.

The PS, TCPD stated in his reply (November 2012) that the grant of one more opportunity to the owners after the expiry of LOI was not against the practice being followed in the TCPD where requests were considered on merits of the case. The reply was not convincing as LOI issued is valid for 30 days and could be extended for another 60 days. In the instant case, the LOI was issued in September 2008 and one more opportunity was given in May 2010. Giving '*one more chance*' on the basis of practice was against the provisions of the Act as also against the terms and conditions of the LOI. As a result of this, the area could not be developed as housing colony (January 2013).

### **2.3.10 Allotment and end use of land**

#### **2.3.10.1 Utilisation of Acquired/Allotted Land and Management of Government Land**

As per guidelines issued (May 2001) by State Government for disposal of surplus land, surplus capital assets of one department which could be used by other departments/boards/corporations should be transferred to them and surplus assets which could not be used and were susceptible to encroachment, should be



disposed of in the market through open auction.

Audit observed that Irrigation department had a total of 3286.61 acre of surplus land. The land was acquired earlier for brick kilns, rest houses and minors or drains which were abandoned. The land had not been disposed of as per policy of the State Government. No action was taken to dispose of or transfer surplus land to other departments as per guidelines of the State Government. It was observed that out of this land, 265.03 acre of land (*Appendix 2.14*) was under encroachment/ litigation.

The EIC stated (November 2012) that the list of the surplus land was circulated to all departments and hosted on website of the department. The surplus land would be transferred as and when any request is received after following due procedure. The reply was not acceptable as no action to dispose of the surplus land has since been taken as per policy of the Government. During the exit conference, the Additional Chief Secretary assured to expedite the matter regarding removal of encroachment from the land.

### 2.3.10.2 Non-recovery of cost of land

A total of 10.04 acre surplus land was transferred by Irrigation department to HUDA, Karnal for developing a park and Municipal Committee (MC), Karnal for construction of a slaughter house. The cost of above transferred land amounting to ₹ 22.60 lakh had not been realized even after a lapse of 10 years. It was observed that matter was not taken up regularly with the HUDA and the Municipal Committee. During the exit conference, the EIC stated that efforts were being made to recover the amount.

### 2.3.10.3 Non-maintenance of data regarding utilisation of land by HUDA

In HUDA, only data relating to land acquired and number of plots carved out was being compiled as given in **Table 4**.

**Table 4: Data relating to land acquired and number of plots carved out by HUDA**

Land acquired, number of sectors floated and plots carved out up to March 2012									
Land acquired (In acres)	Number of sectors floated				Number of plots				Total
	Residential	Commercial	Industrial	Institutional	Residential	Commercial	Industrial	Institutional	
67507	217	9	43	8	254227	39924	10356	530	305037

**Source: Data furnished by HUDA.**

Audit observed that centralised data relating to land compensation and enhanced compensation paid, land planned, land lying unused, land under encroachment, etc. was not maintained. As such, quantum of utilization of land acquired could not be assessed in audit.

The PS, TCPD during Exit Conference stated that the basic data relating to acquired land, planned sectors in each of the urban estates was available on the website of HUDA. Apart from above, very detailed information with respect to each plot was available to the plot holders on the PPM. The reply did not address the issue as data relating to land lying unused in various urban estates was neither

available on the web site of HUDA nor in any other form with HUDA. The Plot and Property Management and Financial Accounting System software needs to be stabilized in order to have a meaningful database.

#### **2.3.10.4 Conducting of physical verification of Government land**

In order to ensure proper utilization and save the land from encroachment, it is necessary to conduct physical verification of land periodically. It was, however, observed that the departments had not evolved any system for physical verification of Government land in the absence of which departments were not aware about the proper utilization of land and encroachment on land remains undetected for long periods. The reply of the department in regard to conducting of physical verification was awaited as of February 2013.

#### **2.3.10.5 Land under encroachment**

The departments had not compiled any comprehensive data about land under encroachment. The information compiled from three Estate Offices revealed that an area of 570.44<sup>8</sup> acres was under encroachment which was attributed to lack of ensuring precautionary measures and vigilance on the part of the HUDA. Further, it was observed that adequate efforts were not made by the HUDA to free the land from encroachment. The encroachment of land was hampering the developmental activities in the urban estates. The PS, TCPD stated (November 2012) that efforts were being made to get the land vacated from encroachers.

#### **2.3.10.6 Non-mutation of land acquired**

The mutation of land acquired is required to be done in the record of Revenue Department in the office of the Tehsildar/Sub-Registrar concerned. This is necessary to avoid litigation and get clear title to land acquired. Mutation of 5667 acres of land (*Appendix 2.15*) had not been done in three Works divisions and three Estate Offices. The PS, TCPD and Additional Chief Secretary, Irrigation Department (during Exit Conference), Executive Engineer, Provincial Division, Gurgaon stated (May/November 2012) that efforts would be made to get mutation done at the earliest possible time.

#### **2.3.10.7 Irregular transfer of plot**

A comprehensive Estate Management Procedure (EMP) 2005 was framed in consonance with the Industrial Policy enunciated by the State Government. As per para 17 of the EMP-2005, the provisions were applicable for industrial plots/sheds already allotted under the previous policies. As per para 7 of EMP-2005, transfer of plots were to be allowed only if the project had been completed and construction of building was as per prescribed norms and after expiry of one year from the date of commercial production. Further, as per para 11 of EMP-2005, all the cases concerning transfer of plots were to be processed by the respective

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8 Faridabad: 116 acre, Panipat: 195.44 acre and Sonapat: 259 acre.

Estate Officer, HUDA and placed before the committee headed by Zonal Administrator which was the final accepting authority in these matters.

Scrutiny of records of Estate officer, Sonapat revealed that five acre 1,389 yards industrial plot was allotted (March 1975) by the Director, UED at a price of ` 0.44 lakh to M/s Venus Paper Mill. The possession of land was handed over (March 1978) by the DTP, Sonapat and conveyance deed was executed in August 1982 with the condition that construction would be completed within two years from the date of possession failing which plot was liable to be resumed. The allottee failed to adhere to the time schedule fixed for completion of the project. However, the plot was not resumed by HUDA as the development works in the area were completed only in March 2008.

The allottee applied (September 2008) for transfer of plot in favour of M/s SKOL Breweries Limited without constructing the building. An agenda for examining the application in the light of transfer policy and instructions was placed before the Committee headed by Administrator, HUDA, Rohtak in which it was pointed out that the plot was not transferable as per transfer policy. However, the transfer may be allowed as Chief Administrator, HUDA had decided to allow the transfer of this plot with the approval of Chairman of HUDA. Permission was granted to the allottee to transfer the plot. Subsequently, M/s Venus Paper Mill sold the plot (March 2009) to M/s SKOL Limited at a cost of ` 15.86 crore. As per paragraph 15 of EMP-2005, HUDA was competent to resume a plot in case an allottee defaults in complying with the terms and conditions of allotment/transfer/leasing etc,. Since M/s Venus Paper Mill had not started commercial production, HUDA should have resumed the plot and disposed of it through auction. As a result of allowing to sell the plot, the allottee earned a profit of ` 15.82 crore without setting up any industry which amounts to extending undue favour.

The PS, TCPD during Exit Conference stated that the permission was granted as HUDA could not complete the infrastructure for three decades and it was not desirable to apply EMP 2005 in respect of a plot which was allotted in the year 1975 when HUDA was not in existence. He further stated that these industrial complexes were handed over to HUDA in the year 1977 and HUDA had to own these liabilities and there was no income from these plots. The permission to transfer the plots was granted with the approval of the Chairman, HUDA. Thus, there was no deviation of rules and regulations in this regard.

The contention of the PS was not in order as the transfer policy of the State Government was uniformly applicable to all industrial plots allotted irrespective of the fact whether these were allotted by HUDA or allotted prior to 1977 when HUDA was not in existence. Thus, undue favour was extended to the allottee by granting permission to sell the plot.

### **2.3.10.8 Recovery of external development charges**

As per Section 38 of the HUDA Act 1977, external development charges (EDC) were to be levied as per the rates fixed by the State Government from the developers and landowners whose land was released. As per instructions (September, 2009) of CA, HUDA, 25 per cent of EDC was to be recovered before

the release of land and balance 75 per cent in six annual instalments along with interest at the rate of 10 per cent per annum.

Scrutiny of records revealed that out of seven Estate Offices test checked, proper record had been maintained only by Estate Office, Rohtak. In other six Estate Offices, no monitoring mechanism had been evolved to watch recovery of EDC. Even the records relating to release of land was not obtained from DG, UED to watch the recovery of EDC. A total of 2,475 acres of land was released during 2007-12 and EDC amounting to ` 167 crore (@ ` 140 per sq yard) was involved. As huge amount was involved, a proper mechanism should have been evolved to watch recovery of EDC.

The PS, TCPD during Exit Conference stated that policy had been amended with effect from August 2011 and it has now been decided to recover 100 per cent EDC before release of land. The fact, however, remains that no mechanism had been evolved to monitor the outstanding amount in respect of land release cases prior to 10 August 2011.

### **2.3.11 Resettlement and rehabilitation**

State Government formulated (December 2007) a policy for rehabilitation and resettlement (R&R) of landowners whose land was acquired under a statute. Under this policy, with a view to provide additional sustenance and social security to persons whose land was acquired, Annuity Scheme was introduced. It was envisaged that in addition to the initial land compensation, annuity was to be paid at the rate of ` 15,000 per acre per annum for a period of 33 years which was to be increased by a fixed sum of ` 500 per acre per year. The annuity payment was further increased (December 2010) from ` 15,000 to ` 21,000 per acre per annum for a period of 33 years which was to be increased by a fixed sum of ` 750 per acre per year. The scheme further envisaged that in case where the land acquired in respect of a landowner or co-sharer worked out to be less than one acre, such landowners will have the option to avail of the commuted value of the annuity amount upfront in one go which was fixed at the rate of 30 per cent of the gross amount of annuity payable during the 33 years. Further, a quota was fixed for allotment of residential and industrial plots by HUDA and HSIIDC for land oustees.

Following deficiencies were noticed in the implementation of R&R policy:

#### **2.3.11.1 Delays in payment of Annuity to landowners**

Audit observed that as against the total authorization of ` 102.21 crore made by HUDA for the land acquired between December 2007 to September 2012, the LAOs could disburse only ` 51.30 crore to the landowners upto September 2012. The balance amount of ` 50.91 crore was lying undisbursed in bank accounts of HUDA.

The PS, TCPD stated (November 2012) that annuity payment was slow in the last three years, because LAOs were under the impression that the work of disbursement of annuity would be outsourced. However, the efforts of the State Government to involve insurance companies in the disbursement were not successful as they were not interested to undertake this job. The PS further stated that now the LAOs had been instructed to disburse annuity payments to land owners without delay.

The department should evolve an appropriate system to disburse annuity to the claimants in terms of the provisions of the scheme so that objectives of rehabilitation as envisaged in the scheme are achieved.

### **2.3.11.2 Benefit of Annuity payment extended to land developers**

Scrutiny of records revealed that this benefit of payment of annuity to the landowners was also extended to land developers whose land was acquired by the Government. Since the policy was made to safeguard the interest of land owning farmers, the same could not be extended to land developers.

The PS, TCPD admitted during Exit Conference that the scheme stipulated that the benefit of annuity would be given to the farmers. However, it was not possible for the LAOs to distinguish from the erstwhile owners whether they were farmers on the basis of ownership details and further added that the matter would be taken up with the Revenue and Disaster Management Department for undertaking a review of the system in vogue.

### **2.3.12 Shortage of manpower**

Land transactions involve scrutiny of complex revenue records for establishing the title of the land. As discussed earlier, the land acquisition involves spending huge amounts. It was observed that there was acute shortage of staff particularly in the cadres of Patwaries (35 per cent) and Kanungos (42 per cent) in test checked LAOs (*Appendix 2.16*). It would be seen from the appendix that 17 Patwaries were deployed on contract basis. The arrangement of processing the land documents by staff deployed on contractual basis and authorizing payments of compensation was vulnerable to malpractices.

### **2.3.13 Internal controls**

In the implementation of Land Acquisition Act, 1894 and the payment of compensation to the land owners, the following deficiencies in the internal control mechanism were noticed:

### **2.3.13.1 Non-maintenance of records**

In case of land acquired by UED for HUDA, after taking administrative approval from the State Government for making payment of compensation of the land awards, HUDA authorizes the LAOs to draw specific amount from the Bank accounts of HUDA. The LAOs concerned are permitted to issue cheques on the designated banks. The banks were issuing separate cheque books and maintain separate account for each award. In case of enhancement of land compensation, the Zonal Administrators of HUDA were making lump sum payments to LAOs for disbursing the payment to landowners. The deficiencies noticed in the test checked LAOs were as under:

- Consolidated cashbooks were maintained in respect of all the land compensation awards in the offices of LAOs, Gurgaon and Rohtak. Award-wise ledgers were not maintained by these offices to ascertain the payment made against each award. Further, the test checked LAOs were not obtaining the statement of transactions from the bank to reconcile the balances as per cashbooks with the accounts of the banks. Bank reconciliation is a very important financial control which was not exercised by any of the LAOs test-checked.
- In respect of cases relating to enhancement of land compensation also, cashbooks were not maintained by any of test-checked LAOs and reconciliation of cheques issued by them with the accounts of the bank was not carried out.
- Similarly, cash books for annuity payments were not being maintained by LAOs, Rohtak and Gurgaon. The LAO, Faridabad, had not maintained the cash book regarding annuity payment after 14 September 2010. Cheques signed between 14 September 2010 and 31 March 2012 by LAO were lying undisbursed except for 28<sup>9</sup> cheques amounting to ` 2.55 lakh. No efforts were made to reconcile the drawal of cheques with reference to accounts of banks (October, 2012).

The PS, TCPD stated during Exit Conference that the award wise cash book were not required as award-wise registers were maintained with respect to each of the acquisition. He, however, stated that award-wise registers/ledgers can be improved upon in case a concrete suggestion was received.

### **2.3.13.2 Payments made without updating the revenue records**

Under Section 9 (1) of the Act, after the announcement of award, the Collector requires all persons interested in the land to appear personally or by agent before him at a time and place therein mentioned and to state the nature of their respective interest in the land and the amount and particulars of their claims to compensation for such interest. As per procedure in vogue, after announcement

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9 Cheque numbers 656622 to 656626 (5), 656628 to 656634 (7), 656636 to 656639 (4) and 656640 to 656651 (12).

of awards relating to acquisition of land for public purpose, revenue records such as *Jamabandi*, mutations etc. are collected from the concerned Revenue Patwari and incorporated in the award statements to make the payments to the genuine landowners. Further, under Section 13A of the Act, the Collector verifies the claims and corrects any clerical or arithmetical mistakes in the award or errors arising therein either on his own motion or on the application of any person interested or a local authority.

The payments were released by the office of LAO, Gurgaon without proper verification of persons to whom payment of land compensation was to be made and ensuring the correctness of awards of landowners. Scrutiny of records revealed that enhanced land compensation of ` 6.49 crore was refunded by 12 persons (*Appendix 2.17*) stating that they were not the owners of the land at the time of announcement of award. Further, 15 persons (*Appendix 2.18*) refunded an amount of ` 1.55 crore at their own stating that they were paid land compensation in excess of their entitlement.

The PS, TCPD during Exit Conference stated that the LAOs collect the available updated record from the Revenue Department. It was further stated that the discrepancies with respect to wrong or excess payments on account of non-updation of revenue record had been detected by the LAOs themselves and the recovery process had been initiated accordingly. An amount of ` 1.49<sup>10</sup> lakh was yet to be recovered (November 2012) and LAOs were being advised to initiate criminal proceedings against the persons who had submitted false affidavits at the time of receiving the compensation or enhanced compensation.

The reply does not address the issue as the recipients refunded the excess compensation paid to them on their own volition and not as per directions of LAO.

### 2.3.13.3 *Wrong calculation of enhanced compensation*

Based on the award announced in 3 May 2000 by LAO, Gurgaon, payment of land compensation at the rate of ` 717 per sq yard was made to Sh Ishwar Singh. The compensation was enhanced (October 2010) from ` 717 per sq yard to ` 1216 per sq. yard by a Court in writ petition filed by him and others. The difference between original award and revised rates was ` 499<sup>11</sup> per sq yard. It was observed that while making payment of enhanced compensation to one of the petitioners viz; Sh. Jai Bhagwan, the payment of ` 31.63 lakh was made (February 2012) against the due amount of ` 13.27 lakh. Thus, an amount of ` 18.36 lakh was paid in excess of his entitlement. The PS intimated that amount recoverable was ` 5,72,296 out of which a sum of ` 5,36,765 had been recovered. Audit requested to furnish the calculation sheet of excess amount to arrive at a logical conclusion which was awaited (December 2012).

10 Cheque no 10139 dated 26 August 2010 deposited by Sh Balwant Singh was dishonoured by the bank.

11 Enhanced rate: ` 1216 per sq yard (-) Original award: ` 717 per sq yard.

Similarly, in pursuance of a decision (August 2007) of Additional District Judge (ADJ), Gurgaon, the Rewari Lift Irrigation Division, Jhajjar, deposited enhanced compensation amounting to ₹ 16.82 crore in March 2008 in the Court of ADJ for making payment to landowners (petitioners). It was noticed in audit (May 2012) that in two cases, an excess payment of ₹ 12 lakh (six lakh in each case) was deposited in the Court in March 2008 due to discrepancy in the calculation of enhanced land compensation in BB Forms. The BB Forms containing information regarding owners of the land and amount of compensation were required to be verified by the concerned division but this control was not exercised by the division.

After this was pointed out by Audit, the concerned Executive Engineer informed (May 2012) that a sum of ₹ six lakh had been received back from the ADJ, Gurgaon and a case had been filed for recovery of balance amount of ₹ six lakh from the landowners. The Additional Chief Secretary, Irrigation Department stated during the Exit Conference that the matter would be looked into and appropriate action would be taken.

The above cases indicated that calculations of the payment were not checked properly by LAOs.

#### 2.3.13.4 Deduction of Income Tax at source

Section 194-A of Income Tax Act, 1961, *inter alia* lays down that Tax Deducted at Source (TDS) at the rate of 10 per cent will be deducted from the amount of interest payable. Further, TDS at the rate of 20 per cent w.e.f. 1 April 2010 was to be deducted from interest payments if Permanent Account Number (PAN) was not quoted by claimants. For deducting TDS at the rate of 10 per cent, a copy of PAN card was to be obtained and enclosed as supporting document with the vouchers.

In the office of LAO, Rohtak, TDS at the rate of 10 per cent was deducted from interest payments where Permanent Account Number (PAN) was not quoted by claimants. TDS of ₹ 0.67 crore was less deducted in these cases. Similarly, in case of Lift Irrigation Division, Jhajjar, TDS was not deducted at all. As such, the TDS of ₹ 1.40 crore was less deducted as given in **Table 5**.

**Table 5: Details of less deduction of TDS**

(₹ in crore)					
Name of the LAO	Name of the office	Interest amount paid	TDS to be deducted	TDS deducted	TDS less deducted
LAO, Bhiwani	Lift Irrigation Division, Jhajjar	7.29	0.73	Nil	0.73
LAO, Rohtak	Administrator, HUDA, Rohtak	6.69	1.34	0.67	0.67
<b>Total</b>		<b>13.98</b>	<b>2.07</b>	<b>0.67</b>	<b>1.40</b>

Source: Details of TDS submitted to income tax department in case of LAO, Rohtak

The Additional Chief Secretary, Irrigation Department during the Exit Conference directed the EIC to take action against the responsible persons for not deducting TDS.



Data analysis by Audit in the test-checked cases of TDS details submitted to Income Tax office by LAO, Rohtak revealed that dummy PANs were filled to give benefit of deduction of TDS at the rate of 10 *per cent* instead of 20 *per cent* to landowners. The details are given in **Table 6**.

**Table 6: Details of less deduction of TDS**

(` in lakh)

PAN number	Name of land owner	Date of payment	Amount paid	TDS deducted	TDS less deducted
FFFFF9999F	Inderpal Singh	01 December 2011	0.67	0.07	0.07
FFFFF9999F	Krishna Devi	28 December 2011	4.42	0.44	0.44
FFFFF9999F	Ram Lubhaya	28 December 2011	0.56	0.06	0.06
<b>Total</b>				<b>0.57</b>	<b>0.57</b>

**Source: Details of TDS submitted to income tax department.**

This had resulted in extending undue benefit of ` 0.57 lakh to the landowners. Since the responsibility in regard to recovery of less TDS from the landowners devolves upon DDO, TDS less deducted be recovered from land owners by the DDOs. During Exit Conference, the PS, TCPD demanded the details of cases where TDS had been less deducted. The details were furnished but the reply was awaited (December 2012).

### 2.3.13.5. *Non-receipt of unspent balance amounts from LAOs / LACs*

The funds deposited with LACs in excess of award money were required to be refunded to the concerned divisions.

Audit noticed that funds deposited in excess of award money had not been refunded by LACs though a period of over two to three years had lapsed since the announcement of awards as detailed below in **Table 7**.

**Table 7: Details of non-receipt of unspent balances**

Name of office	Name of LAC/ DRO	Name of work	Date of deposit	Amount deposited (` in lakh)	Date of award	Amount of award	Amount deposited in excess of award (` in lakh)
<b>Water Services Division, Rohtak</b>	Rohtak	Extension of Baniyani Minor	March 2009 to January 2010	371.00	May 2010	290.00	81.00
<b>PH Engineering Division, Sohna</b>	Gurgaon	Extension of Government Polytechnic Maneser	July 2008	40.00	July 2008	39.12	7.49
		STP in Sohna town	June-July 2009	1,354.00	July 2009	1,347.39	
<b>Total</b>				<b>1,765.00</b>			<b>88.49</b>

**Source: Information has been obtained from the concerned divisions**

The Chief Engineer, Irrigation Department assured during the Exit Conference that the matter would be looked into and appropriate action would be taken.

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

As per Punjab Financial Rules and Punjab Subsidiary Treasury Rules as applicable to Haryana, the funds for the acquisition of land required for PWD are

required to be deposited by the DRO-cum-LAC in treasuries by operating a Revenue Deposit (RD) Account for each project. Rule 2.10 (b)(5) of Punjab Financial Rules further provides that no money should be drawn from the treasury unless it is required for immediate disbursement.

An amount of ₹ 43.14 crore was deposited with DRO-cum-LAC, Rohtak through bank draft and cheques for acquisition of land during 2007-12 by the Divisional Officers. The DRO-cum-LAC, Rohtak had deposited amounts with various Public Sector Banks by opening six non-interest bearing accounts and five interest bearing accounts instead of opening project-wise RD Accounts in the treasury. An amount of ₹ 6.71 crore relating to the period 2007-12 remained unspent (May 2012) in these bank accounts. Keeping the funds in banks resulted in loss of interest to the tune of ₹ 1.27 crore (worked out at the prevailing interest rate of ways and means advances ranging between 7 and 7.25 per cent) during the period 2007-12.

On this being pointed out by Audit, DRO-cum-LAC, Rohtak stated (May 2012) that the operation of RD Account from the treasury was not convenient due to lengthy and time consuming procedure and shortage of staff and that funds were kept in the bank accounts to avoid the delay in making payment of compensation to the land owners. The reply was not acceptable as the provisions of the Punjab Financial Rules had not been complied with.

Similarly, the Divisional Officer, Irrigation Division, Sirsa deposited (March 2011) ₹ 10 crore with the DRO-cum-LAC, Sirsa for acquisition of land for construction of 'Naiwala Kharif Channel' before issue of notification under Section 4 of the Act which was subsequently notified in November 2011. The amount of ₹ 10 crore was deposited in Saving Bank Accounts. After eight months, it was deposited in RD Account with the treasury along with the interest earned. The Irrigation Department had not issued notification under Section 6 of the Act (May 2012). The drawal of funds without requirement and depositing the same with the LAC led to loss of interest of ₹ 28.76 lakh (upto May 2012).

The Additional Chief Secretary, Irrigation Department during Exit Conference directed the EIC to issue instructions to field offices to deposit the amount of land compensation with LAOs through treasury challans instead of bank drafts.

#### **2.3.14. Conclusions**

From the foregoing paragraphs, it is observed that TCPD had not formulated any land use policy defining its sector-wise priorities in utilization of land for the present and future needs for social and development purposes. Due to release of land in an unplanned manner, the development of urban areas was hampered. The centralized data with regard to total land acquired and compensation paid was not maintained by Irrigation Department, PWD (B&R) and PHED. There was inordinate delay in making payment of enhanced land compensation, which resulted in avoidable payment of interest. There were deficiencies in release of land

from the acquisition process in contravention of the provisions of Land Acquisition Act. The rehabilitation measures announced by the State Government regarding payment of annuity remained unachieved as no proper mechanism was evolved for disbursement of annuity payments to landowners. There was lack of proper internal control as there were instances of non-maintenance of award-wise ledgers, non-reconciliation of balances with bank accounts, making of payment of land compensation without updating revenue records, overpayments due to wrong calculations, parking of funds outside the Government Account. HUDA had not maintained centralised data relating to land compensation and enhanced compensation paid, land planned, land lying unused, land under encroachment, etc. There were instances of encroachment of land and non mutation of acquired land.

### **2.3.15. Recommendations**

The Government may consider:

- developing wastelands for industrial, commercial, residential, educational and other purposes in order to reduce coverage of fertile land for urban development;
- enforcing strict compliance of the provisions of the Land Acquisition Act in acquisition of land;
- maintaining award-wise ledgers by the LAOs and ensure reconciliation with banks;
- making payment of enhanced compensation promptly to avoid interest payment;
- conducting proper survey of the proposed land before its acquisition; and
- strengthening internal control system and monitoring mechanism.

**Rural Development Department Haryana**

**2.4. Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)**

**Highlights**

*National Rural Employment Guarantee Act (NREGA) was notified by the Government of India (GOI) in September 2005 with the objective of enhancing security of livelihood in rural areas by providing 100 days guaranteed employment, besides creating durable community asset. Performance audit of the scheme revealed significant improvement in the lives of workers with stability and assured income to some extent. However, there were shortcomings such as delayed payment of wages, preparation of bogus muster rolls, double payment of wages, etc. A beneficiary survey of the scheme revealed that there was significant change in their life style as their family income had increased.*

*Some of the major audit findings are given below:*

**Difference in wages of the scheme notified by GOI and State Government amounting to ` 10.06 crore was not contributed by the State Government due to which large number of beneficiaries were deprived of benefits of the scheme.**

*(Paragraph 2.4.9.5)*

**Only 23 to 42 per cent job card holders were provided employment, out of which only one to five per cent were provided guaranteed employment for 100 days.**

*(Paragraph 2.4.10.1)*

**In two villages, fictitious engagement of workers involving payment of wages amounting to ` 2.60 lakh was noticed.**

*(Paragraph 2.4.10.2)*

**In 25 cases tampering of muster rolls by way of cutting, overwriting, erasing, etc. and in 11 cases various deficiencies such as non-recording of Bank Account number in the muster roll, mismatch of names of beneficiaries in muster roll and MIS report, non-recording of muster roll numbers in MIS, etc. were noticed in audit.**

*(Paragraph 2.4.11)*

**An amount of ₹ 138.92 lakh spent on earthen roads which were neither durable nor accessible in all weathers.**

**An expenditure of ₹ 81.45 lakh was incurred on digging and deepening of 19 ponds which were without water.**

**₹ 80.15 lakh were spent on Cement Concrete/Interlocking Paver Block streets by 16 GPs which were impermissible under the act.**

*(Paragraph 2.4.12)*

**The Forest Department had shown an amount of ₹ 23.82 lakh as spent on afforestation but no plantation was carried out.**

**An excess expenditure of ₹ 62.05 lakh was incurred on development of herbal parks.**

*(Paragraph 2.4.13)*

#### **2.4.1. Introduction**

The National Rural Employment Guarantee Act, 2005 {renamed as the Mahatma Gandhi National Rural Employment Guarantee (MGNREG) Act w.e.f. 2 October 2009} guarantees 100 days of employment in a financial year to any rural household whose adult members are willing to do unskilled manual work.

The basic objective of the Act is to enhance security of livelihood in rural areas besides generating productive assets, protecting the environment, empowering rural woman, reducing rural-urban migration and fostering social equity.

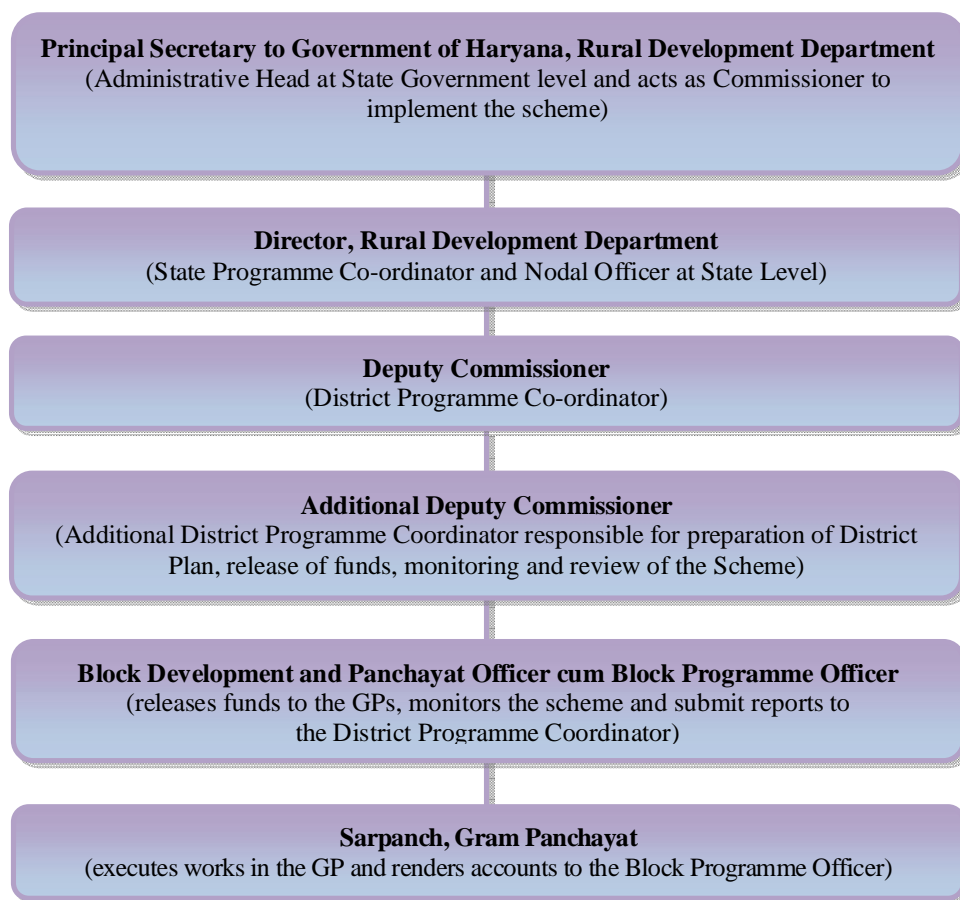
The MGNREG Scheme came into force in Haryana in phases as under:-

- Mahendergarh and Sirsa districts from 2 February 2006;
- Ambala and Mewat districts from 1 April 2007; and
- In remaining 17 districts from 1 April 2008.

#### **2.4.2. Organisational set-up**

The Principal Secretary, Rural Development Department is the administrative head and the Director, Rural Development Department is the Nodal Officer at State level for implementation of the scheme. Deputy Commissioners have been designated as the District Programme Coordinators, Additional Deputy Commissioners as the Additional District Programme Coordinators and Block Development and Panchayat Officers as the Block Programme Officers.

The administrative set-up for implementation of the scheme at different levels is shown below:-



#### **2.4.3. Audit objectives**

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

- structural mechanisms were put in place and adequate capacity building measures taken by State Government for implementation of the Act;
- procedures for preparing perspective and annual plan at different levels for estimating the likely demand for work and preparing shelf of projects were adequate and effective;
- financial management was efficient and effective;
- the process of registration of households, allotment of job cards and providing employment was effective and as per the Act/Rules;
- objective of ensuring the livelihood security by providing 100 days of annual employment to the targeted rural community was achieved and unemployment allowance for inability to provide job-on-demand was paid

in accordance with the Rules;

- works were executed economically, efficiently and effectively in a timely manner and durable assets were created, maintained and properly accounted for;
- the auxiliary objectives of protecting the environment, empowering rural women, reducing urban migration, fostering social equity, etc. were effectively achieved;
- the convergence of the scheme with other rural development programmes as envisaged was done;
- management of data and records as well as MIS generation was efficient and effective;
- complete transparency was maintained in implementation of the Act by involving all stakeholders in various stages of its implementation; and
- there was effective mechanism at State level to assess the impact of the scheme.

#### 2.4.4. Audit criteria

The audit findings are benchmarked against the criteria derived from the followings sources:

- Provisions of NREGA-Act 2005 and rules frame thereunder.
- Operational Guidelines 2006 and 2008 issued by the Ministry of Rural Development (MoRD) Government of India (GOI) and the circulars issued from time to time.
- Fund Rules 2006, Financial Rules 2009 and Audit of Scheme Rules 2011.
- Muster Roll Watch Guidelines.
- Guidelines/checklist for internal monitoring by States.

#### 2.4.5. Scope of audit and methodology

The performance audit of the scheme covering the period from 2007-08 to 2011-12 was carried out between April 2012 and June 2012 through test check of records of six<sup>1</sup> out of 21 districts (28 *per cent*) and 12<sup>2</sup> blocks (2 blocks from each

1 (i) Ambala, (ii) Fatehabad, (iii) Kukukshetra, (iv) Mewat, (v) Palwal and (vi) Sirsa.

2 **Ambala:** (i) Ambala-I and (ii) Saha, **Fatehabad:** (iii) Battu Kalan and (iv) Ratia, **Kukukshetra:** (v) Babain and (vi) Thanesar, **Mewat:** (vii) Firozpur Zhirka and (viii) Tauru, **Palwal:** (ix) Hassanpur and (x) Palwal and **Sirsa:** (xi) Badagudha and (xii) Odhan.

selected district) which were selected on the basis of Simple Random Sampling without Replacement (SRSWOR) method. Further, 134 Gram Panchayats (GPs) (*Appendix 2.19*) of these 12 blocks were selected using Probability Proportionate to size With Replacement (PPSWR) method and audit of records of Director, Rural Development Department and DRDAs of selected districts was also conducted.

The audit methodology adopted was test check of records with reference to the provisions of the Act, scheme guidelines, financial rules and Government orders and instructions. Photographic evidence and physical verification were also taken into consideration to substantiate audit observations. Audit also conducted (April-June 2012) beneficiary survey of 10 beneficiaries from each selected GP on random basis and obtained their views regarding implementation of the scheme in a questionnaire form.

An entry conference was held in February 2012 with the Director, Rural Development Department in which important issues regarding implementation of the scheme, audit objectives, audit criteria, sample selection, etc. were discussed. The audit findings were also discussed (October 2012) with the Principal Secretary, Rural Development Department in an exit conference and views of the Government were incorporated suitably in the report.

#### **2.4.6. Acknowledgement**

Office of the Principal Accountant General (Audit), Haryana acknowledges the co-operation of the department and their subordinate offices in providing information and records for audit.

#### **2.4.7. Structural mechanisms**

##### **2.4.7.1 Framing of Rules**

As per Section 32 of the Act, the State Government was required to make rules for implementation of the Act/Scheme. It requires establishment of grievance redressal mechanism at the block level and the district level and procedure to be followed in such matters, laying down the terms and conditions for determining the eligibility for unemployment allowance and provide for the manner of maintaining books of account.

Audit noticed (April-June 2012) that State Government had not formulated rules for carrying out the provisions of the Act as of March 2012. However, the Haryana Social Audit and Grievance Redressal Rules, 2009 were framed (June 2009) by the State Government to deal with Social Audit and grievance redressal.

During the exit conference, the Principal Secretary (October 2012) stated that the rules would be framed for proper implementation of the scheme.



### 2.4.7.2 *State Employment Guarantee Council (SEGC)*

For the purposes of regularly monitoring and reviewing the implementation of MGNREG Act at the State level, every State Government was required under Section 12 of the Act to establish a State Council to be known as the SEGC. As per notification of the State Government (April 2008), the council was required to meet at least twice a year and to prepare annual reports of the scheme for laying in the State Legislature.

Audit noticed (April-June 2012) that the council was constituted in April 2008. Against the requirement of holding eight meetings (two meetings per year), only two meetings were held during 2008-12 and annual reports were also not prepared by the council.

The Principal Secretary stated (September 2012) that the annual reports of the scheme would be prepared shortly. Further, during the exit conference, the Principal Secretary stated (October 2012) that due to delay in nomination of members by the State Government, only two meetings were held during 2008-12.

### 2.4.7.3 *Resource support*

The operational guidelines of the Act and other circulars issued by the GOI, inter alia, envisaged the following:

- Every State Government was required to appoint a full-time dedicated Programme Officer (PO), not below the rank of Block Development Officer (BDO), in each Block with necessary supporting staff for facilitating implementation of the scheme.
- An “Employment Guarantee Assistant (EGA) or “Gram Rozgar Sahayak” (GRS) was required to be appointed in each GP, in view of the pivotal role of the GPs in implementation of the scheme.
- The State Government was required to constitute panel of accredited engineers at the District and Block levels for the purpose of assisting the estimation and measurement of works.
- The State Government could consider appointing Technical Resource Support Groups at the State and District levels for assisting in the planning, designing, monitoring, evaluation and quality audit of various initiatives and also assist in providing training with a view to improving the quality and cost effectiveness of the scheme.

Audit noticed (April-June 2012) the following shortcomings in meeting the above provisions:

- The Government had not appointed full time dedicated Programme Officers in any of the 12 test checked blocks. The existing BDPOs were declared as Programme Officers and given the additional charge of the scheme.

- Gram Rozgar Sahayaks (GRS) were not appointed in 36 test checked GPs (**Appendix 2.20**). BDPO, Bhattu Kalan stated (July 2012) that the matter had been taken up with the Additional Deputy Commissioner (ADC) for appointment of GRS in each GP.
- The State Government had not constituted panels of accredited engineers at district and block levels.
- The State Government had not set up Technical Resource Support Group at State and district levels.

Due to above deficiencies and shortage of staff, the implementation of the scheme was affected badly i.e. non-maintenance of records, works remaining unsupervised, non-preparation of perspective plan, etc. as discussed in the succeeding paragraphs.

On this being pointed out (August 2012) in audit, the Principal Secretary issued (September 2012) instructions to all the Deputy Commissioners to prepare a panel of retired Sub-Divisional Engineers/Junior Engineers at district level. Regarding setting up of Technical Resource Support Group, it was stated that this was not mandatory under the guidelines. Audit, however, suggests that Technical Resource Support Group should have been set up to implement the scheme in a better way.

#### **2.4.8. Planning**

Planning is the main tool for successful implementation of a programme. The programme's obligation to provide employment within 15 days, necessitates advance planning. The basic aim of the planning process is to ensure that the District Perspective Plan is prepared well in advance to offer productive employment on demand.

##### **2.4.8.1 District Perspective Plan**

Section 16 of the Act and Chapter 4 of the operational guidelines stipulate the preparation of a five year District Perspective Plan (DPP) to facilitate advance planning and provide a development perspective for the District. The aim is to identify the types of works to be carried out in the district and potential linkages between these works and long-term employment generation and sustainable development.

The Government of India provided (November 2007) ` 10 lakh in each district for preparation of DPPs through the outside expert agencies. Audit observed that of the six districts test checked, DPPs were not prepared by two<sup>3</sup> districts. ADCs of these districts intimated (July 2012) that private agencies had been engaged for preparation of perspective plans. The DPPs were got prepared (2011-12) by four

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3 Fatehabad and Kurukshetra.

districts from outside agencies, for which an amount of ₹ 7.47 lakh was paid as of March 2012. But these were under process for approval with the Rural Development Department as of November 2012. Non-preparation of DPPs resulted in lack of advance planning. The Principal Secretary stated (September 2012) that directions had been issued to all the districts to submit their perspective plans.

#### 2.4.8.2 Annual Plans

- Section 16 (3 and 4) of the Act states that every GP shall prepare a Development Plan (Annual Plan) and maintain a shelf of works prior to the commencement of the year. The Development Plan would include the following components:
  - Assessment of labour demand
  - Identification of works to meet the estimated labour demand
  - Estimated cost of works and wages
  - Benefit expected in terms of employment generation and physical improvements (water conservation, land productivity)

It was observed in selected GPs that annual plans were being discussed in the meetings of Gram Sabha; but the crucial aspects such as assessment of labour demand, quantum of work, estimated cost of each work, expected benefits, etc. were not being discussed and documented as envisaged in the guidelines.

On this being pointed out in audit, the Principal Secretary stated (September 2012) that the requisite directions were being issued to all the districts to ensure preparation of annual plan for consolidation of requirement at GP, block and district levels.

Apart from above, the following shortcomings were noticed in the implementation of scheme:

- As per Section 16 of the Act, at least 50 *per cent* of the funds of the scheme were to be released to the GPs. However, in Ambala district only 43 *per cent* and 32 *per cent* funds were released to the GPs during 2007-08 and 2008-09 respectively as given in **Table 1**.

**Table 1: Details of funds released to the GPs vis-a-vis Forest Department**

Year	Total funds release to the district	Fund released to Forest department	Funds released to GPs	Funds released to other agencies	Percentage of funds released to GPs against the total released funds
2007-08	1190.92	660.00	509.42	21.50	43
2008-09	2230.00	1373.00	717.00	140.00	32

**Source: Data furnished by BDPOs of Ambala district.**

- As per GOI instructions (March 2008), the unspent balances of Sampoorna Grameen Rozgar Yojana (SGRY) as on 31 March 2008 were required to be transferred to MGNREGS account. Audit scrutiny of records of the BDPO,

Ratia and Thanesar, revealed that funds amounting to ` 6.20 lakh and ` 15.90 lakh respectively were lying in the SGRY account as on 31 March 2008 and out of these, amount of ` 5.10 lakh and ` 9.74 lakh respectively were spent, during 2008-12, on SGRY works. However, vouchers in support of expenditure incurred were not produced to audit by the BDPO, Ratia. An amount of ` 7.26<sup>4</sup> lakh was lying unspent with the BDPOs as of March 2012. BDPO Thanesar stated (July 2012) that the amount of ` 9.74 lakh was spent for completion of SGRY ongoing works and balance has been transferred (May 2012) to MGNREG scheme. The reply was not convincing as utilization of SGRY funds after 1 April 2008 was prohibited by the GOI.

## 2.4.9. Financial Management

### 2.4.9.1 Funding pattern

The Central and the State Governments bear the expenditure of the scheme as given in **Table 2**.

**Table 2: Details of Central and State share for MGNREGS**

Sl. No.	Item of expenditure	Central share	State share
1.	Unskilled labour	100 per cent at notified rates	Excess over notified rates of the Centre
2.	Skilled labour	75 per cent	25 per cent
3	Material	75 per cent	25 percent
4.	Unemployment allowance	Nil	100 per cent
5.	Administrative expenses	As may be determined by the Central Government	Administrative expenses of the State Employment Guarantee Council (SEGC)

Source: Chapter 8 of the Operational Guidelines.

### 2.4.9.2 Financial performance

Details of funds received, funds available and funds spent as reported by the Director, Rural Development Department are given in **Table 3**.

**Table 3: Details of funds available and expenditure**

(` in lakh)

Year	Opening Balance	Release of funds of last year received during the current year		Funds released during current year		Interest earned on deposits	Total funds Available	Expenditure
		Central	State	Central	State			
2007-08	1033.23	158.07	52.69	4108.97	410.90	38.61	5802.47	5235.01
2008-09	1131.11	200.00	20.00	13256.71	1292.07	111.74	16011.63	10984.87
2009-10	5270.62	399.94	73.59	11388.68	1138.88	604.98	18876.68	14356.32
2010-11	5385.27	157.00	15.70	13954.81	2120.37	398.90	22032.05	21488.52
2011-12	1630.17	276.38	127.54	27512.23	3328.25	1386.96	34261.53	31673.51

Source: Data supplied by the Rural Development Department Haryana

4 BDPO Ratia: ` 1.10 lakh and BDPO Thanesar: ` 6.16 lakh

Audit observed (April 2012) that there were differences in working out opening balances as given in **Table 4**.

**Table 4: Details of funds available and expenditure complied by Audit**

( in lakh)

Year	Opening Balance	Central Share received	State Share received	Misc. Income	Total funds Available	Expenditure	Closing Balance
2007-08	1033.23	4267.04	463.59	38.61	5802.47	5235.01	567.46
2008-09	567.46	13456.71	1312.07	111.74	15447.98	10984.87	4463.11
2009-10	4463.11	11788.62	1212.47	604.98	18069.18	14356.32	3712.86
2010-11	3712.86	14111.81	2136.07	398.90	20359.64	21488.52	-1128.88
2011-12	-1128.88	27788.61	3455.79	1386.96	31502.48	31673.51	-171.03

**Source: Data compiled by Audit.**

The department had not reconciled the differences. In the absence of reconciled figures, actual expenditure could not be ascertained in audit. The department stated (September 2012) that the opening balances were taken on the basis of annual accounts whereas closing balances were based on the figures taken from monthly progress reports (MPRs) on MIS. The fact, however, remains that the figures were not reconciled and therefore, expenditure figures were not reliable.

#### **2.4.9.3. State Employment Guarantee Fund**

As per Section 21 of the Act, the State Government was to establish State Employment Guarantee Fund for the implementation of the scheme. The fund was to be administered in such a manner and by such authority as prescribed by the State Government.

Audit noticed (April-June 2012) that the State Government established State Employment Guarantee (SEG) Fund vide notification of 2 December 2011 after delay of more than five years. Rules were also framed for operation and maintenance of funds. The SEG fund had, however, not been made operational (March 2012). Due to non-establishment of the funds, Government of India released its share directly to the district implementing agencies instead of depositing the same in the SEG fund with the result that the State Government could not monitor the implementation of the scheme in a proper manner. The department stated (August 2012) that first installment of Central share was credited to the SEG fund in June 2012.

#### **2.4.9.4 Unrealistic Labour Budget**

Chapter IV, Para 14, sub section (6) of the NREG Act says that the District Programme Coordinator shall prepare in the month of December every year a labour budget for the next financial year containing the details of anticipated demand for unskilled manual work in the district and the plan for engagement of labourers in the works covered under the scheme.

Audit observed that the labour budget prepared by the DPCs of selected districts was realistic except Kurukshetra. There were wide variations between the

estimated budget and actual generation of person days in Kurukshetra district as given in **Table 5**.

**Table 5: Details showing wide variations between budgeted and actual generation of persons days**

(Figures in lakh)

Year	Labour budget estimation	Actual person days generated
2008-09	2.42	1.08
2009-10	2.70	1.02
2010-11	1.76	1.84
2011-12	1.57	2.97

**Source: Labour Budget prepared by the DPC, Kurukshetra**

ADC, Kurukshetra stated (October 2012) that the labour budget projections were made on the basis of demands of GPs, but the variations were due to less/excess demand of employment by the registered households in the GPs.

#### **2.4.9.5 Short release of State share**

As per GOI's policy w.e.f January 2009, difference in wages notified by GOI and State Government was to be borne by the State Government from its own resources. The labour rates were higher in Haryana than that of GOI. An amount of ` 10.06 crore on account of difference in wages for the period from January 2009 to March 2010, which was required to be paid by the State Government, had not been paid (September 2012). Due to this, funds available at district level as against the demand sent to GOI fell short and large number of beneficiaries were deprived of the benefits of the scheme. Audit observed that wages amounting to ` 2.07 crore were payable in Sirsa district at the end of March 2012. The State Government had taken up (January 2010) the matter with GOI for payment of State-wise minimum wages i.e. to bear the additional burden of higher labour rate applicable in Haryana; but GOI had not agreed to the proposal. However, additional funds were being released by the State Government for this purpose from its own budget from April 2010 onwards.

During exit conference, the Principal Secretary stated that the matter for sanction of additional funds would be taken up with the Finance Department.

#### **2.4.9.6 Financial irregularities in Gram Panchayats**

Audit scrutiny of records of GP, Akabarpur (Ambala) revealed the following irregularities:

- Closing Balance of ` 76,556 was shown in the cash book at the end of June 2010 but in the next month, balance of ` 67,680 only was carried forward. Thus, ` 8,876 were short accounted for in the cash book. On this being pointed in audit, the Sarpanch stated (August 2012) that the opening balance of July 2010 had been corrected. The fact, however, remains that the cash book had not been maintained properly.
- Three payments of ` 0.62 lakh each were made to M/s Tirath Ram Mohinder Pal in October 2010 but vouchers of only two payments were available on the records of the GP. On this being pointed out in audit, one payment entry was

cancelled and the amount was added in the closing balance in May 2012. This was indicative of failure of internal control mechanism.

- Reconciliation of balances as per cash book and bank pass book was not carried out at GP, block and district levels in test-checked districts. BDPOs Bhattu Kalan, Odhan, Ratia, Saha and Thanasher stated (July 2012) that the bank reconciliation would be ensured in future.
- The State Government has not prescribed the format of accounts as per section 24 (2) of the Act. No specific guidelines on risk assessment and the percentage of check to be applied by the auditors on vouchers, muster rolls, bills, material, works register, asset register, social audit reports, etc. were issued by the State Government.
- The Sarpanch, GP, Ajrana Kalan (District Kurukshetra) incurred an expenditure of ` 14.60 lakh on “Digging of a pond and construction of its retaining wall in Shamlat land”, out of which an amount of ` 7.37 lakh was spent on purchase of material such as bricks, cement, bajri, etc. in July-August 2009 for construction of retaining wall. It was noticed in audit (April-June 2012) that expenditure on purchase of material was shown as incurred in February 2009 on MIS. Further, physical verification of this work by audit along with department/GP (August 2012) revealed that the value of material used at site on construction of a small retaining wall was not up to this extent as can be seen from the following photographs.



On this being point out in audit, the ADC, Kurukshetra stated (October 2012) that the matter was under investigation and outcome would be intimated shortly.

- BDPO, Firozpur Jhirka (Mewat) released (August 2009) a cheque for ` 40,000 to GP, Malhaka for construction of WBM road. This amount was deposited in the Bank and was withdrawn (September 2009) by the Sarpanch as per entries of the bank pass book. It was observed that neither receipts nor withdrawal of this amount was entered in the cash book of the GP, Malhaka. Vouchers in support of having the amount spent on the scheme were not shown to audit. In view of this, chances of misappropriation of this money cannot be ruled out. The ADC, Mewat stated (October 2012) that notice had been issued to the ex-sarpanch to

deposit the amount otherwise FIR would be lodged against him. The outcome of the case had not intimated (February 2013).

- As per para 8.5.1 of the scheme guidelines, only one bank account was to be operated by each GP. Under Rule 11 of the Haryana Panchayati Raj Finance, Budget, Accounts, Audit, Taxation and Works Rules, 1996, a sum not exceeding ` 10,000 may be kept in the custody of the Sarpanch as cash in hand and the Sarpanch shall be liable to pay interest at the rate of 21 *per cent* per year on the sum kept by him as cash in hand beyond the prescribed limit.

Gram Panchayats Kalwaka, Chirwari and Rampur Khor of Palwal block, GP, Mirpur Korali of Hasanpur block, GP, Bahmanwala of Ratia block, GP, Tigri Khalsa of Thanesar block and BDPO Hasanpur were operating two bank accounts in contravention of the scheme guidelines.

The Sarpanch, Tigri Khalsa (Thanesar Block) had drawn the amounts in cash from one account and transferred the same to the other account after retaining for a period ranging from 8 to 96 days (*Appendix 2.21*). An amount of ` 1.99 lakh was lying in cash with the Sarpanch as on March 2012. While admitting the facts, BDPO, Thanasher replied (July 2012) that recovery of ` 0.58 lakh on account of interest has been made from the Sarpanch and second bank account had been closed.

#### 2.4.10. Scheme implementation

##### 2.4.10.1 Physical performance

Number of households registered and the households provided with 100 days employment during 2007-12 was as given in **Table 6**.

**Table 6: Number of households registered and employment provided**

Year	Number of households				Persondays generated (in lakh)	Average days per household
	Job Cards issued since inception of the scheme	Demanded employment	Provided employment	Completed 100 days employment		
2007-08	161445	67883	67883	7402	35.76	53
2008-09	378286	153513	153273	6630	59.62	39
2009-10	656744	152455	152450	8871	59.03	39
2010-11	582697	235773	235281	9077	84.19	36
2011-12	671669	277969	277286	13580	108.92	39

**Source: Data of Rural Development Department, Haryana**

Analysis of above data revealed that only 23 to 42 *per cent* job card holders were provided employment during 2007-12, out of which only one to five *per cent* got guaranteed employment for 100 days. Average number of days of employment per household per year ranged between 36 and 53 days during 2007-12. It was observed (April-June 2012) that average number of days of employment provided per house hold, was 53 in 2007-08 which declined to 39 in 2011-12. The beneficiary survey disclosed that decline in average days employment generation



per household went down because they were paid low wage rates under the scheme as compared to wages in the open market in the State.

Further, during test check of records of 134 GPs, Audit observed that Employment Registers containing the demand for work were not maintained by GPs. The data given in the above table, in the absence of corroborating records, regarding employment demanded were not realistic.

#### **2.4.10.2. Registration of households, allotment of job cards, and allocation of employment**

Before demanding employment under the scheme, any rural household was required to get themselves registered and get a job card. The process for registration of households and issue of job cards, as per Chapter 5 of the Operational Guidelines of the scheme envisaged that:

- A door to door survey was to be undertaken to identify persons willing to register under the Act.
- Households were required to submit applications for registration or submit an oral request.
- Job cards were to be issued within a fortnight of the application for registration. Photographs of adult member applicants were to be attached with the job cards.

Audit noticed (April-June 2012) the following shortcomings in meeting the above provisions of the guidelines:

- Door to door survey was not conducted by any of the GPs in Odhan and Baragudha blocks of Sirsa district, Ratia and Bhattu Kalan blocks of Fatehabad district, Palwal and Hassanpur blocks of Palwal district. Concerned BDPOs replied (July 2012) that door to door survey could not be conducted due to ignorance and would be conducted now.
- Registers of Applications for issue of job cards were not maintained in test checked GPs. However, GPs stated that job cards were issued on the basis of oral request in most of the cases.
- In 14 GPs, there was difference in number of job cards issued as per records maintained at the GP level and as per MIS (**Appendix 2.22**). BDPO, Block Saha, District Ambala stated (August 2012) that 149 job cards were issued by the Forest Department and 300 job cards by GP, Kesri whereas the issue of job cards was the duty of the GP under the scheme guidelines.
- Job Cards registers were not maintained by 18 GPs test-checked (**Appendix 2.23**). BDPO, Saha stated (August 2012) that job card register would be maintained in future.

During exit conference, the Principal Secretary while admitting the facts assured (October 2012) for compliance of scheme guidelines in future.

- As per paragraph 6.5 and 9.4 of the operational guidelines of the scheme, muster rolls were to be maintained by the GPs. The mates were to be made responsible for maintenance of muster rolls at the worksite including recording the names of the workers on the first day of the work and marking attendance every day. Audit noticed (April-June and August 2012) fictitious engagement of workers in two GPs as given in **Table 7**.

**Table 7: Details showing fictitious engagement of workers**

Name of Gram Panchayat	Name of worker	Period for which employment was provided	No. of days of employment provided	Amount paid (In `)	Name of work	Remarks
Ali Mohmamd (Sirsa)	Kundan Lal S/o Shri Neki Ram	01 February 2010	13	1,963	Land leveling	Beneficiary had already died on 21 January 2009
Bahmanwala (Fatehabad)	78 workers	07 January 2012 to 13 January 2012	384	68,736	Clearance of berms	Attendance of workers not marked in the muster rolls (No. 2550-55)
	76 Workers	06 January 2012 to 16 January 2012	567	1,01,283	Clearance of berms	Attendance of workers not marked in the muster rolls (No. 2566-71)
	60 workers	06 January 2012 to 16 January 2012	494	88,471	Clearance of Irrigation channel	Attendance of workers except one worker named Resham Singh, not marked in the muster rolls (No. 2561-65)
<b>Total</b>				<b>2,60,453</b>		

Thus, engagement of a worker after about one year of his death and payment to workers without making their attendance in the muster rolls tantamounted to the fictitious engagement of workers by the GPs. During exit conference (October 2012), the Principal Secretary stated that strict action would be taken against the concerned persons.

#### **2.4.11. Livelihood security and unemployment allowance**

As per paragraph 7.1.1 of the scheme guidelines, every person working under the scheme is entitled to wages at the minimum wage rate fixed by the State Government for agricultural labourers under the Minimum Labour Act 1948 unless the wages have been notified by the Central Government under Section 6 (1) of the Act. The scheme guidelines further stipulated that:

- The State Government was required to provide employment to a registered applicant within 15 days of demand, failing which unemployment

allowance at stipulated rates was payable to them out of State Government's funds.

- Wages were required to be paid weekly and in any case within a fortnight of the date on which work was done. In the case of delay beyond 15 days, workers were entitled for compensation as per the provisions of the Payment of Wages Act 1936.

Audit noticed (April-June 2012) the following shortcomings:

- Receipt of applications for demand for work was issued by all the 134 test-checked GPs without mentioning dates. Employment registers were not maintained in these GPs. In the absence of recorded date of demand for employment, the entitlement to unemployment allowance could not be ascertained. Audit further noticed that the State had not paid any amount on account of unemployment allowance since inception of the scheme.
- Workers were not paid wages within the stipulated period. Instances of delay in making payment of wages are given in **Appendix 2.24**, where delay ranging from eight to 331 days was noticed. BDPO, Bhattu Kalan (July 2012) stated that delay in payment of wages occurred due to late receipt of funds from the ADC. No compensation was paid to labourers for delayed payment of wages in these cases.
- In 25 cases (**Appendix 2.25**) tampering of muster rolls by way of cutting, overwriting, erasing, etc. and in 11 cases (**Appendix 2.26**) various deficiencies such as non-recording of Bank Account number in the muster roll, mismatch of names of beneficiaries in muster roll and MIS report, non-recording of muster roll numbers in MIS, etc. were noticed in audit.

On the above irregularities being pointed out, the Principal Secretary instructed (October 2012) all the Deputy Commissioners to ensure that such deficiencies were not repeated in future.

#### **2.4.12. Planning and execution of works**

Audit randomly selected ten works of each selected GP for physical verification along with representatives of GPs/department. It was observed (April-June 2012) that the works executed under the scheme provided employment, however, in most of the cases, the secondary objective of creating durable assets beneficial for community was not fully achieved.

- As per Para 1 (viii) of Schedule 1 of the Act, rural connectivity to provide all weather access was a priority area of work. Paragraph 2.1 and 4 (viii) of the MGNREGA Works Field Manual, clarify that the road constructed should be gravel road or Water Bound Macadam (WBM) road which are durable and provide all weather access. Earthen roads all alone were not permitted under the scheme. In six test-checked districts, 38 works

(Appendix 2.27) of earthen roads were executed in contravention of extant orders during 2007-12 at a cost of ` 138.92 lakh without stabilization of top surface and adequate provisions for drainage. The earthen roads are not durable and also not accessible in all weathers, particularly in the rainy season. One of the examples of such type of road can be seen from the photograph given below:



Earth filling rasta in Gram Panchayat, Odhan (District Sirsa) (17 May 2012)

- An expenditure of ` 81.45 lakh was incurred during 2007-12 by 15 GPs on digging and deepening of 19 ponds (Appendix 2.28) for water storage. It was observed (April-June 2012) that though the ponds dug up prior to inception of this scheme in the same village were without water as there was no source of water for filling up these ponds; yet new ponds had been dug up. In these circumstances, the proposals for digging of these ponds mooted by the Gram Panchayats and approved by the District Programme Coordinators without ensuring the availability of water was not justified. The entire expenditure on these works was rendered infructuous. The position of dry ponds/ponds with scant water is depicted in the following photographs:



Pond in GP, Kirdhan in Fatehabad district having small quantity of rainy water (23 August 2012)



Pond in GP, Odhan in Sirsa district without water (17 May 2012)

- Further, construction of cement concrete/interlocking paver blocks streets were not permissible under Schedule 1 of the Act and Para 5 (ix) 5 of the MGNREGA Works Field Manual, as these were not labour intensive works. It was noticed (April-June 2012) that Cement Concrete/ Interlocking Paver Block streets were constructed in 16 GPs (**Appendix 2.29**) at the cost of ₹ 80.15 lakh.

During the exit conference, the Principal Secretary stated (October 2012) that efforts were made to create durable assets but providing employment was the main objective of the scheme and the labour material ratio of 60:40 was also to be maintained. Therefore, works of earthen roads, digging of ponds, etc. had to be taken up. The fact, however, remains that the assets created did not meet the scheme criterion of creating durable assets beneficial for the community.

- Gram Panchayat, Tigaon (Mewat) incurred (2009-10), an expenditure of ₹ four lakh on construction of Water Bound Macadam (WBM) road. However, physical verification of works revealed that WBM road was not constructed in the village. Records relating to construction work as well as the cash book were not produced to Audit. Under these circumstances, the veracity of expenditure could not be vouchsafed in Audit. The fact for non-construction of WBM road is corroborated by photographs given below:



The ADC, Mewat stated (October 2012) that chances of fake record cannot be ruled out and the concerned BDPO had been directed to submit the report on the issue.

- Recording of names of workers simultaneously on two-three works on the same date (details given in the **table 8**) were detected which indicated misappropriation of scheme funds by the Gram panchayats.

**Table 8: Details showing misappropriation of funds**

Sl. No.	GP	Nam of workers & their Job card number	Muster Roll No	Period of attendance	Extra attendance and number of days	Amount involved in `
<b>Block Bhattu Kalan</b>						
1.	Thuiya	Rohtash 22372	820	1 December 2012 to 16 December 2012	16 December 2012 (one day)	172
			986	16 December 2012 to 31 December 2012		
2.	Kirdhan	Virender 23210	297	1 July 2012 to 9 July 2012	1 July 2012 to 9 July 2012 and 11 July 2012 to 13 July 2012 except 7 July 2012 due to weekly rest (11 days)	2,156
			214	1 July 2012 to 16 July 2012		
			182	11 July 2012 to 13 July 2012		
3.	Sirdhan	Vinod, Krishna and Sarjeet 21803	610	16 July 2011 to 25 July 2011	21 July 2011 to 25 July 2011 (five days)	2,685
		Vinod 21803	910	21 July 2011 to 26 July 2011		
		Krishna and Sarjeet 21803	911	21 July 2011 to 26 July 2011		
<b>Block Ratia</b>						
4.	Burj	Naresh 32603	4680	3 March 2012	3 March 2012 (one day)	179
			10052	1 March 2012 to 16 March 2012		
5.	Mohmedpur Sotter	Harbans 36856	1437	12 December 2010 to 17 December 2010	12 December 2010 to 17 December 2010 (six days)	1,032
			1455	12 December 2010 to 17 December 2010		
6.		Harbans 36856 Sarjeet 17525 Darshan 11496	261	1 May 2011 to 15 May 2011	1 May 2011 to 15 May 2011 except 7 May 2011 due to weekly rest (14 days)	7,728
			790	1 May 2011 to 15 May 2011		
7.		Harbans 36856 Sarjeet 17525 Darshan 11496	429	16 May 2011 to 31 May 2011	16 May 2011 to 31 May 2011 except 22 and 29 May 2011 due to weekly rest (14 days)	15,456
			796	16 May 2011 to 31 May 2011		
			869	16 May 2011 to 31 May 2011		
8.		Ram Singh 14539	796	16 May 2011 to 31 May 2011	16 May 2011 to 31 May 2011 except 22 and 29 May 2011 due to weekly rest (14 days)	2,576
			869	16 May 2011 to 31 May 2011		
<b>Total</b>						<b>31,984</b>

- Scrutiny of Monitoring and Information System (MIS) in respect of GP, Sirdhan revealed that in the muster roll number 910 and 911, the names of these three persons were replaced by other names. This shows that though the irregularity came to the notice, instead of pointing out the mistake, facts were concealed. The BDPO, Bhattu Kalan had also not exercised control over data feeding in MIS. While admitting the facts BDPO, Bhattu Kalan stated (July-August 2012) that the amount of ` 0.05 lakh had now been recovered from concerned workers and deposited in bank in July-August 2012.

- Para 6.7 of the scheme guidelines stipulated that the State Governments should evolve norms for measurement of works. The Schedule of Rates was to be prepared on the basis of these studies. Haryana Government got conducted (July 2008) a time and motion study for earth work under MGNREG scheme and output norms were fixed. An additional item (HSR item number 6.2(1)) was also inserted in the Haryana PWD Schedule of Rates. As per the norms, for earth work involving lead and lift upto 30 metres the output fixed was 80 cubic feet (cft) per manday. Audit scrutiny of records of GPs in Ratia block revealed that for raising the capacity of 'Rangoi Kharif Channel' an estimate for ` 292.75 lakh was prepared (March 2011) by Irrigation Department. The work was got executed by the GPs by employing manual labourers and payment was made at the rate which ranged from 66 to 58 cft per manday instead of 80 cft per manday. This resulted in overpayment of wages amounting to ` 28.63 lakh (**Appendix 2.30**) as compared to less quantum of work done by the workers.
- Gram Panchayat, Bhattu Kalan (District Fatehabad), Ratipur and Johar Khera (District Palwal) incurred (2010-12) an expenditure of ` 47.13 lakh against the sanctioned estimate of ` 36.32 lakh on execution of three works (detailed given in **Table 9**). Excess expenditure of ` 10.81 lakh over the sanctioned estimates was not regularised.

**Table 9: Details of excess expenditure over the sanctioned estimates**

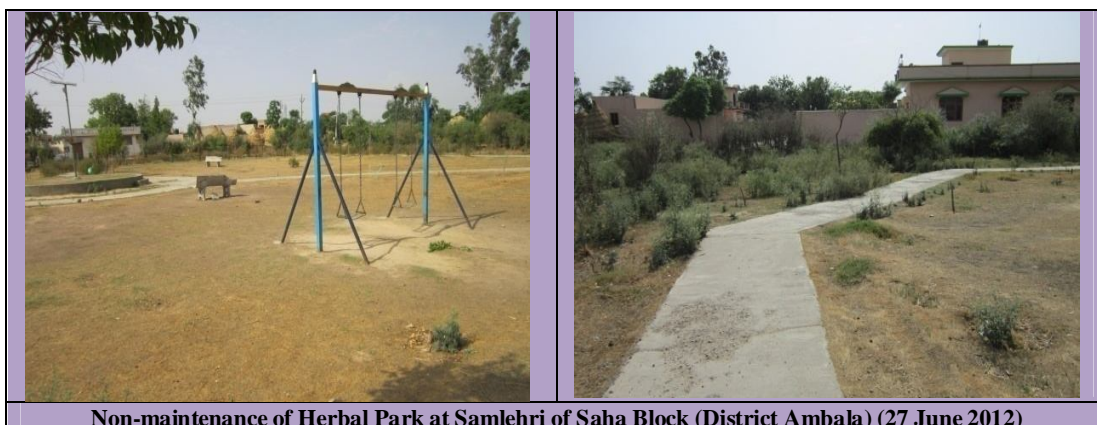
Sr. No.	Name of GP	Name of Work	Estimated cost ( in lakh)	Actual Expenditure ( in lakh)	Excess ( in lakh)
1	Bhattu Kalan	Digging of pond	3.70	5.56	1.86
2	Ratipur	Earth filling in school	14.08	16.25	2.17
3	Johar Khera	Earth filling in school	18.54	25.32	6.78
	<b>Total</b>		<b>36.32</b>	<b>47.13</b>	<b>10.81</b>

Source: Records of concerned GPs.

- Assets created under the scheme were not properly maintained. Funds for maintenance of assets created under the scheme were not envisaged in the scheme. The position of non-maintenance of assets is shown in the following photographs:



Non-maintenance of Herbal Park at Samlehri of Saha Block (District Ambala) (27 June 2012)



- The implementing GPs did not maintain records of assets created like Asset Register, Works Registers as envisaged in Para 9 of the scheme guidelines.

On this being pointed out in Audit, the Principal Secretary issued (October 2012) directions to all the Deputy Commissioners to ensure that such deficiencies were not repeated in future.

#### **2.4.13. Execution of forest works**

The scheme came into force in Ambala district with effect from 1 April 2007. ADC Ambala released ` 25.76 crore during 2007-12 to the Divisional Forest Officer (Territorial) Ambala for afforestation, development of herbal parks, etc. The DFO (Territorial) Ambala stated (June 2012) that the relevant records were damaged in rains. Therefore, audit of this expenditure could not be conducted. However, scrutiny of an inspection report submitted (March 2010) by the ADC Ambala to the State Government disclosed serious irregularities as summarized below:

- Job cards were issued by the Forest Department itself.
- Muster Rolls were to be issued by the Block Programme Officer to the GPs and other implementing agencies but were issued by the ADC, Ambala.
- The works to be executed by the line departments were required to be got approved from the concerned Gram Sabha, but the works executed by the Forest Department were not recommended by any of the Gram Sabhas.
- As per the GOI instructions (September 2008), cash payment of wages to workers was not allowed after September 2008. However, Cash withdrawals of ` 8.50 crore were made by the Forest Department during October 2008 to March 2010.
- Expenditure of ` 23.82 lakh was incurred on afforestation but no plantation was actually done in four villages as detailed in **Table 10**.



**Table 10: Details of expenditure incurred on afforestation**

Sl. No.	Name of Village	Expenditure booked (₹ in lakh)	Period
1	Narayangarh Majra	8.59	2008-10
2	Babyal	10.54	2007-10
3	Dheen	3.49	2009-10
4.	Dulyani	1.20	2009-10
	<b>Total</b>	<b>23.82</b>	

**Source: Records of ADC, Ambala.**

- In village Firozpur Kath and Abupur, earth work was found to be got done through mechanical means at a cost of ₹ 0.61 lakh for which ₹ 10.43 lakh were booked in the cash book on account of muster rolls wages.
- Expenditure of ₹ 74.03 lakh was indicated as incurred on development of three Herbal Parks at village Barara, Holi and Samlehri during 2008-10 but as per assessment reports submitted by the SDO (PR), the actual expenditure incurred was assessed at ₹ 11.98 lakh only. Thus, an expenditure of ₹ 62.05 lakh was incurred in excess on development of herbal parks.

Director General-cum-Special Secretary, Rural Development Department stated (July 2012) that the State Government has entrusted an inquiry in this regard to the State Vigilance Department, whose report was awaited.

#### **2.4.14. Maintenance of records and data automation for Monitoring and Information System (MIS)**

As Para 9.1 of the operational guidelines, proper maintenance of records is one of the critical factors for success in the implementation of the scheme. Information on critical inputs, processes, outputs and outcomes have to be recorded in the prescribed registers at all levels. The computer based MIS also captures the same information. Audit observed the following deficiencies in the maintenance of records and data automation:

- Scrutiny of muster rolls of GPs Bangoh and Panchgaon revealed that Job-card numbers recorded against 21 cases (*Appendix 2.31*) were not appearing in the list of job cards mentioned in MIS.
- Muster roll receipt register was not maintained in 36 GPs test-checked (*Appendix 2.32*).
- The following GPs failed to produce records despite issue of requisitions:

Sr. No	Name of GP	Period for which record not produced
1.	Panchgaon (Mewat)	2008-10
2.	Brthala (Kurukshetra)	2008-12
3.	Akbarpur (Ambala)	2007-10 (upto June 2009)
4.	Tehrki (Palwal)	2008-11 (upto November 2010)
5.	Khera (Ambala)	2007-09

- Overpayment of wages was made to workers amounting to ₹ 12,858 (**Appendix 2.33**) in 14 cases by way of payment for the period of absence and conversion of absence into presence.
- Muster roll is an important record and it is to be maintained properly. Audit scrutiny of muster rolls revealed that total number of workers present was not shown leaving scope for subsequent insertion of name and other interpolation. Further, attendance of workers was not checked by any responsible officer. Even the persons marking attendance of workers were not putting their signatures. Cuttings and overwriting in the muster rolls were also observed. A few such cases in respect of GP, Babanpur (Block Ratia) are given below:
  - a. In muster roll numbers 2624, 2625 and 2629 (paid vide voucher number 39 dated 10 January 2012), the period of employment was shown in the first instance from 8 January 2012 to 23 January 2012 which was later on changed as 16 December 2011 to 31 December 2011. In MIS also the period of employment had been shown from 16 December 2011 to 31 December 2011. In these muster rolls attendance of workers was marked for the period from 8 January 2012 to 23 January 2012. The exact period of employment could not be verified in audit.
  - b. In muster roll numbers 2272 and 2273 (paid vide voucher number 35 dated 17 December 2011), attendance of Kuldeep Singh S/O Shri Major Singh (Job Card number 11184) and Biker Singh S/O Shri Nek Singh (Job Card number 10925) was marked on 16 December 2011. Again the attendance of these two workers was marked in muster roll numbers 2624 and 2625 respectively for the same day. Thus, attendance of these two workers was marked for 16 December 2011 (one day) simultaneously at two different works. However, scrutiny of MIS revealed that in muster roll number 2624 the name of Shri Kuldeep Singh was replaced with Amrik Singh and in muster roll number 2625 the name of Shri Biker Singh was replaced with Manjeet. This shows that though the irregularity came to the notice of BDPO office which instead of pointing out the irregularity concealed the same. In the muster rolls also, the changes in the names were made by using fluid but the payments were shown made to Shri Kuldeep Singh and Shri Biker Singh who have signed on the muster rolls as a proof of receipt.
  - c. Attendance of Jagiro (Job card number 10909) was marked on 16 December 2011 simultaneously in muster roll number 2273 (Voucher number 35 of December 2011) and also in muster roll number 2624 (Voucher number 39 of January 2012). However, in muster roll number 2624 the name of Jagiro was replaced with Gejo (Bank A/C number 15177), but the wages were deposited in Bank A/C number 15117 which was in the name of Jagiro. In MIS the name of Jagiro was entered in both the muster rolls (2273 and 2624).

- Scrutiny of muster rolls number 2232-38 (Voucher number 20A/January 2011 for ` 92648) of GP, Bahmanwala (Block Ratia) revealed that in the first instance period of employment was shown from 17 December 2010 to 31 December 2010. Later on by overwriting it was shown from 17 January 2011 to 31 January 2011. In MIS, it was shown from 1 January 2011 to 14 January 2011 but in the muster rolls attendance was marked from 17 January 2011 to 31 January 2011.

In the circumstances the veracity of the statements in these test-checked cases could not be vouchsafed in Audit.

The Principal Secretary (October 2012) assured that action would be taken against the defaulters after detailed inquiry in each case.

#### **2.4.15. Lack of transparency in implementation of the scheme, monitoring and evaluation**

Paragraph 9.1.1 of the Operational Guidelines stipulates maintenance of complaint registers at all levels, but audit noticed (April-June 2012) that these were not maintained by 29 GPs test-checked (*Appendix 2.34*).

Paragraph 10.3 of the Operational Guidelines lays down that works were required to be inspected 100 *per cent* at block level, 10 *per cent* at district level and 2 *per cent* by State level officers every year. Audit observed (April-June 2012) that although 100 *per cent* inspection of works was claimed to be conducted by the block level officer but records relating to inspection reports were not maintained at block level with regard to inspection of works. In the absence of records, the factual position as to whether inspections were carried out could not be verified. Besides, district level internal audit cell had not been established in any of the test-checked districts to scrutinize the inspection reports of GPs. No mechanism was evolved to ensure that the shortcomings noticed during inspections were rectified.

During the exit conference, the Principal Secretary (October 2012) accepted the facts.

#### **2.4.16. Analysis of digitised data of MGNREG scheme**

Analysis of digitised data for the period 2006-12 by using CAATs (IDEA) revealed the following deficiencies:

##### **2.4.16.1. Registration of households and allotment of Job cards**

Every registered household is allocated a Job Card having a unique 18-digit identification number consisting of 14-digit habitation code (State, District, Block, Gram Panchayat, and Village) and a unique family ID. Since only

registered households are entitled for payment of wages, registration number and Job cards are basic records for making wage payments under the scheme.

In order to avoid bogus registration of households, affixation of photographs of all adult members of the family, mentioning of electronic photo identity code given by Election office for cross verification, house number, caste etc. was required to be entered in the system. However, such information was missing in the database as detailed below:

Total registrations	Parameters not included	Number of cases
6,93,636	Unique code not as per pattern specified	32,971
	Invalid name viz "A", 1, etc.	136
	Invalid father's/husband name	179
	House number not mentioned	6,08,293
	Photograph of the applicant not affixed	3,59,347
	Election photo identification card number not indicated	6,86,378

Similarly, in 24,870 cases, same head of family had been registered more than once in the State.

The Principal Secretary, Rural Development Department stated during exit conference that affixation of photographs and other formalities could not be completed in cases, where persons after registration did not turn up for employment. He, however, agreed that the data would be completed in case workers turn up for seeking employment. As regard double registrations, he assured that these cases would be investigated for taking appropriate action.

#### **2.4.16.2 Suspected double payments**

Analysis of data revealed that in 7,318 cases, attendance of workers was marked in electronic muster rolls more than once in the duplicate job card issued in their name. Total wages involved in these cases amounted to ` 1.32 crore (*Appendix 2.35*).

The Principal Secretary, Rural Development Department stated that all these cases would be investigated for taking appropriate action.

#### **2.4.16.3 Payment of wages for more than 100 days**

Data analysis revealed that in 17,664<sup>5</sup> cases, employment was provided to the extent of 200 days in a year against the requirement of providing 100 days employment. The Principal Secretary, Rural Development Department during exit conference stated that these cases would be investigated.

<sup>5</sup> 2006-07: 481 cases, 2007-08: 593 cases, 2008-09: 4,741 cases, 2009-10: 5,070 cases, 2010-11: 3,860 cases and 2011-12: 2,919 cases.

#### 2.4.16.4 Payment of wages in excess of rates

Data analysis revealed that in 1,43,673 cases, payment of wages to the extent of ₹ 44.72 lakh was made in excess of minimum wages fixed by State Government as detailed given in **Table 11**.

**Table 11: Details of excess payment of wages**

Year	Number of cases	Wages in excess of minimum wages
2008-09	3,106	10,50,947
2009-10	7,299	13,29,411
2010-11	1,32,918	20,58,696
2011-12	350	32,702
<b>Total</b>	<b>1,43,673</b>	<b>44,71,756</b>

Similarly, in 1075 cases, wages paid were incorrectly calculated as these were not in conformity with the wage rates resulting in overpayment of ₹ 2.41 lakh in 485 cases and less payment of ₹ 1.05 lakh in 1,075 cases as detailed in **Table 11**.

**Table 11: Detail of incorrect payment of wages**

Year	Number of cases	Short payment	Number of cases	Excess payment
2008-09	298	57,561	229	1,25,909
2009-10	187	23,382	26	9,634
2010-11	334	23,154	47	23062
2011-12	256	846	183	82868
<b>Total</b>	<b>1,075</b>	<b>1,04,943</b>	<b>485</b>	<b>2,41,473</b>

The Principal Secretary, Rural Development Department stated during exit conference that such type of errors were appearing in the earlier versions of software but this shortcoming had been removed in the later versions of the Software. The reply was not correct as the discrepancies were appearing even in the data of 2011-12.

#### 2.4.16.5 Incomplete details of work executed

Vital details to identify the location of works executed i.e. Khata/plot number to ensure that there was no overlapping of works, were missing in the database. Further, the data entry was made in the system by ambiguous users indicating as by guests, rk etc. The detail of such cases is given in **Table 12**.

**Table 12: Cases where details of work executed not mentioned**

Item of work	Khata number not mentioned (number of cases)	Data entry by ambiguous users e.g by guest, rk etc (number of cases)
Drought proofing	12,117	Nil
Rural Connectivity	12,229	5,704
Water conservation	7,787	4,070
Flood Control	1,000	Nil
<b>Total</b>	<b>33,133</b>	<b>9,774</b>

The Principal Secretary, Rural Development Department stated during exit conference that complete details of location of works needed to be captured for proper monitoring and prevent overlapping of works.

#### **2.4.17. Mechanism to assess the impact**

The objective of MGNREGA is the ‘creation of durable assets and strengthening the livelihood resource base of the rural poor’ (Schedule I, Section 2). Investments made under MGNREGA are expected to generate employment and purchasing power, raise economic productivity, promote women’s participation in the workforce, strengthen the rural infrastructure through the creation of durable assets, reduce distress migration, and contribute to the regeneration of natural resources. Thus, outlays for MGNREGS have to be transformed into outcomes. Regular evaluations and sample surveys of specific MGNREGS works should be conducted to assess outcomes.

Audit observed (April-June 2012) that the State Government had not conducted evaluation studies to assess the performance of implementation of the scheme and its impact on individual households. However, to assess the impact of this scheme, feedback from 885 beneficiaries of 134 selected GPs was taken (April-June 2012) through the questionnaire method by Audit along with representatives of the GPs. Analysis of the feedback revealed as under:

- 99 per cent beneficiaries opined that the scheme had brought out significant change in their life style.
- 95 per cent beneficiaries were of the opinion that the scheme had helped them to avoid migration.
- 82 per cent beneficiaries opined that due to their working under the scheme, their children now could go to school who were earlier doing manual work for their livelihood.
- 75 per cent beneficiaries asserted that their family income had increased by 50 per cent while 25 per cent beneficiaries stated that there was marginal increase in their family income.

#### **2.4.18. Conclusions**

- The objective of the scheme to provide livelihood security to rural poor has been by and large achieved. However, objective of creation of useful assets has not been fully achieved. The assets created were by and large not beneficial to the community.
- Cases of delay in payment of wages, non-payment of unemployment allowance, preparation of bogus muster rolls, double payment of wages, non-maintenance of records to bring about transparency and accountability, etc. were indicative of lack of checking and monitoring of the scheme at all levels.

#### **2.4.19. Recommendations**

The Government may consider:

- preparing perspective plan for five years and annual action plan of the districts so as to achieve the objectives of the scheme fully.
- ensuring proper maintenance of register of employment demanded and employment provided to the beneficiaries.
- strengthening maintenance of records and data automation for MIS to check the errors and irregularities in payment of wages.
- strengthening vigilance mechanism and monitoring system to control malpractices in muster rolls.