

CHAPTER 2

Social, General and Economic Sectors (Departments)

Food, Civil Supplies and Consumer Affairs Department

2.1 Loss to the State Exchequer due to delayed claim of lower interest charges

The departmental officers delayed the claims of interest charges of ₹ 161.10 crore from Food Corporation of India from 199 to 921 days resulting in extra burden of ₹ 13.15 crore on account of interest on cash credit. Further, lesser claims of ₹ 30.68 crore were made due to erroneous interpretation of amendments made by Government of India.

The Food, Civil Supplies and Consumer Affairs Department procures paddy on behalf of Food Corporation of India (FCI) for Central Pool from the farmers at Minimum Support Price (MSP) by availing Cash Credit (CC) from State Bank of India. At the time of delivery of custom milled rice (CMR) to FCI, the department makes claims on provisional rates of CMR, which includes mandi labour charges, driage charges, interest charges¹ etc. The interest for a fixed period of two months was paid by FCI upto Kharif Marketing Season (KMS) 2016-17. However, the Government of India (GoI) made amendments (November 2015) regarding interest charges (with effect from KMS 2013-14) which are as under:

- (i) For the CMR delivered to FCI within approved procurement period i.e. from 1 October up to 15 December, the interest charges would be allowed for half of the period from beginning of the approved procurement period i.e. 1 October to the date of actual delivery of CMR.
- (ii) For the CMR delivered to FCI after the approved procurement period i.e. after 15 December, the interest charges would be allowed for half of the approved procurement period (i.e. 37 days) and beyond the approved procurement period, for the full period up to the date of actual delivery of CMR.

During scrutiny of records (between March and August 2020) of six² District Food, Civil Supplies and Consumer Affairs Controller (DFSCs), it was found that for KMS³ 2017-18 and 2018-19, the DFSCs had not claimed interest

¹ Interest charges on capital employed by department for the period from procurement of paddy to date of delivery of rice to FCI.

² (i) Ambala, (ii) Fatehabad, (iii) Kaithal, (iv) Karnal, (v) Kurukshetra and (vi) Yamunanagar.

³ 1st October to last date of delivery of CMR as extended by FCI.

charges as per new arrangement in sales bills at the time of delivery of CMR to FCI. The consolidated supplementary claims for interest charges of ₹ 161.10 crore was submitted with delay resulting in delayed receipt of interest charges from 199 to 921 days as detailed in the table below:

(₹ in crore)

DFSCs	Delay upto (in days)	Amount of delayed interest claim	Interest burden on State Exchequer
Karnal	654	41.89	2.74
Kurukshetra	921	42.65	5.30
Kaithal	749	21.83	2.17
Ambala	502	14.48	1.47
Yamunanagar	427	12.52	0.72
Fatehabad	199	27.73	0.75
Total		161.10	13.15

Since the department avails Cash Credit for procurement activities, it is in the financial interest of the department to claim the reimbursement timely and to minimise the liability of interest. Thus, the department paid extra interest of ₹ 13.15 crore due to delayed receipt of interest charges.

The DFSC wise delay in receipt of claims for interest charges and loss of interest of ₹ 13.15 crore (₹ 6.80 crore for KMS 2017-18 and ₹ 6.35 crore for KMS 2018-19) thereon is given in *Appendix 2.1*.

Further, during audit it was noticed that Ambala, Karnal and Yamunanagar DFSCs had claimed the interest charges erroneously for half of the period from the beginning of the approved procurement period to the date of actual delivery of CMR, while interest charges beyond 15 December were receivable for the whole period. They had thus, claimed lower amount of interest of ₹ 30.68 crore for the KMSs 2017-18 and 2018-19 (*Appendix-2.2*).

After being pointed out by Audit the DFSCs claimed ₹ 28.65 crore and received ₹ 27.56 crore as given in table below:

(₹ in crore)

DFSCs	Less observed claims during Audit	Claims submitted by DFSCs to FCI	Amount received
Ambala	5.15	5.04	5.04
Karnal	17.97	15.71	15.70
Yamunanagar	7.56	7.90	6.82
Total	30.68	28.65	27.56

The Department's failure to claim interest charges of ₹ 161.10 crore through regular bills at the time of supply of CMR for the KMSs 2017-18 and 2018-19 resulted in delayed receipts of interest charges leading to an extra burden of ₹ 13.15 crore on the State exchequer. Further, less claims of ₹ 30.68 crore was made due to erroneous interpretation of amendments made by GoI.

The Director, Food, Civil Supplies and Consumer Affairs Department intimated (March 2021) that concerned DFSCs had been asked for the list of employees

responsible for the avoidable loss of interest. Further, directions had also been issued (March 2021) to all DFSCs to submit the claims of interest to the FCI with original bills of CMR. The Department also admitted that there have been certain issues in submitting claims by the department to FCI.

The State Government further submitted (September 2021) that delayed claim of interest charges from FCI was mainly due to non-posting of staff and diversion of staff for election duty, oral denial by FCI officials for entertaining claims before supply of total quantity of CMR. FCI also had not been objecting when lower claims were submitted. It was also intimated that the DFSCs had not intimated names of responsible officials/officers for loss of interest.

Recommendation: The State Government may consider to put a mechanism to ensure submission of complete claims to FCI in timely manner. Further, the department may consider to fix responsibility on departmental officers for delayed claims of lower interest charges from FCI resulting in extra burden on the State exchequer.

2.2 Irregular expenditure on watch and ward

The District Food, Civil Supplies and Consumer Affairs Controller, Karnal deployed watch and ward staff in Hemda, Lather and Bhatia plinths in excess of the departmental norms, resulting in irregular expenditure of ₹ 1.99 crore.

The Food, Civil Supplies and Consumer Affairs Department, Haryana procures wheat and stores it in covered godowns and open plinths till dispatch to FCI. For the safety of stored wheat, the department engaged watch and ward staff through service providers. The Director, Food and Supplies (DFS) issued (May 2016) indicative norms for watch and ward of stored foodgrains. As per norms, ten chowkidars can be deployed for open wheat stock between 10,000-25,000 Metric Tonne (MT) or for open plinth having area more than five acres without boundary wall in three shifts⁴. Plinths of different firms within the same vicinity without boundary wall will form one plinth for the purpose of engagement of watch and ward staff. Further, all the DFSCs were required to submit proposals regarding requirement of watch and ward for each storage point with full facts and justification to DFS and watch and ward staff can be deployed as per sanction of DFS.

During scrutiny of records (between September 2019 and May 2020) of DFSC, Karnal, it was noticed that the work of providing watch and ward staff had been awarded to M/s S.M Enterprises, Kaithal. The department had taken three open

⁴ Shift (i): 6:00 a.m. to 2:00 p.m. (three chowkidars); Shift (ii): 2:00 p.m. to 10:00 p.m. (three chowkidars); and Shift (iii): 10:00 p.m. to 6:00 a.m. (four chowkidars).

plinths namely, Hemda: 45,000 MT⁵, Lather: 25,000 MT and Bhatia⁶: 25,700 MT capacity for the years 2018-19 and 2019-20 for storing wheat. The area of these open plinths in acres is 5.78 acre (Hemda); 3.21 acre (Lather) and 3.30 acre (Bhatia). As per norms a maximum of ten chowkidars should be deployed for watch and ward of each plinth.

However, during scrutiny of bills of service provider, it was observed that the inspectors, Food and Supply partitioned the plinths and against the norm of maximum 30 chowkidars on three plinths, chowkidars between 43 and 112 were deployed on monthly basis (*Appendix 2.3*). The DFSC, Karnal did not seek approval from DFS for deploying excess watch and ward staff. Between April 2018 and September 2019, the DFSC, Karnal paid total ₹ 3.22 crore for 1,384 chowkidars out of which, irregular expenditure of ₹ 1.99 crore (*Appendix 2.4*) for deploying 856 excess chowkidars on monthly basis was incurred.

Thus, by partitioning the plinths for deploying excess watch and ward staff in contravention of the departmental norms, the DFSC Karnal incurred irregular expenditure of ₹ 1.99 crore.

The matter was referred (January 2021) to the State Government; and subsequent reminders were issued in March and July 2021; their reply was awaited (September 2021).

During exit conference (August 2021) the Department admitted the audit observations.

Recommendation: The State Government may consider fixing responsibility on Inspectors, Food and Supply and DFSC for deploying excess watch and ward staff and incurring irregular expenditure of ₹1.99 crore.

Sports and Youth Affairs Department

2.3 Parking of Government funds

The Sports and Youth Affairs Department released ₹ 10.09 crore to seven District Sports Councils and a newly constituted Sports and Physical Fitness Authority between March 2016 and January 2018 without immediate requirement resulting in parking of funds outside the Government Accounts for more than four years and interest loss of ₹ 3.38 crore to the State.

Rule 2.10 (b) 5 of Punjab Financial Rules Volume-1 provides that the authorities incurring expenditure should see that no money is withdrawn from the treasury

⁵ The capacity of the godown in MT can be calculated in acres by dividing the area in sq. ft by 5.6. Thus, area of these godowns would be as follows: Hemda: 5.78 acre; Lather: 3.21 acre and Bhatia: 3.30 acre.

⁶ The capacity of Bhatia open plinth increased up to 75,000 MT for the year 2019-20.

unless it is required for immediate disbursement or has already been paid out of the permanent advance. It is not permissible to draw advances from the treasury for the execution of works, the completion of which is likely to take a considerable time. The Finance Department also issued specific instructions (February 2009) that parking of funds drawn on the strength of budgetary allocation out of the Consolidated Fund is not allowed and amounts to grave financial irregularity. It emphasised that the budgetary allocations made for the current financial year are not allowed to be drawn out of Consolidated Fund and retained beyond the closure of the financial year in any manner and without any justification/merit/assumption supporting it and amounts to grave irregularity.

Scrutiny of records of the Director, Sports and Youth Affairs Department, (Department) Haryana, Panchkula (April 2018) and subsequent information collected (January 2021) revealed that the State Government had accorded (October 2016) an administrative approval of ₹ 3.11 crore for 50 bedded sports hostels to be constructed at various places in the State under the Special Component Plan for Scheduled Castes under the Major Head – 2204-Sports and Youth Services. The Department released ₹ 6.23 crore to seven⁷ District Sports Councils⁸ (DSC) between March 2016 and January 2018. Six DSCs kept the funds in saving bank accounts while DSC, Jhajjar deposited the fund with Public Works Department (B&R) in December 2016. As of January 2021, no work on any of these seven sports hostels was started due to non-availability of land in four districts⁹ and non-preparation of drawings and site plan by Chief Architect, Haryana in Fatehabad, Hisar and Sirsa.

The Department had released the funds to DSCs and booked the same as Revenue Expenditure for the years 2016-17 and 2017-18 without any immediate requirement as the sites and drawings for the hostels were not finalised. The funds remained blocked with DSCs for more than four years which violated the provisions of Financial Rules and instructions of Finance Department. DSC, Karnal deposited an amount of ₹ 0.63 crore in January 2020 as receipt in Government treasury. Balance funds ₹ 5.60 crore were still lying with five DSCs and PWD (B&R) (May 2021). Parking of ₹ 6.23 crore not only resulted

⁷ (i) Bhiwani: ₹ one crore (March to June 2016); (ii) Fatehabad: ₹ one crore (June 2016); (iii) Hisar: ₹ one crore (June 2016); (iv) Jhajjar: ₹ one crore (June 2016); (v) Karnal: ₹ 0.63 crore (January 2018); (vi) Mewat: ₹ 0.60 crore (March 2017); (vii) Sirsa: ₹ one crore (June 2016).

⁸ Constituted under Section 9 (1) of the Haryana Sports Council Act, 2016 under the chairmanship of concerned Deputy Commissioners and having the District Sports and Youth Affairs Officers as Secretary.

⁹ Bhiwani, Jhajjar, Karnal and Nuh.

in over statement of expenditure for the years concerned but also increased the interest burden of ₹ 2.18 crore¹⁰ on the State (**Appendix 2.5**).

The Director, Sports and Youth Affairs admitted (January 2021) the Audit observation and intimated that instructions had been issued (September 2020) to four DSCs to deposit the funds in receipt head of State Government where land was not available and reminder has been issued to Chief Architect for finalisation of drawings for three hostels. The reply was not acceptable as ₹ 6.23 crore was released without ensuring availability of land and site plan and funds remained parked with DSC outside the Government Accounts for more than four years.

(ii) State Government constituted (March 2016) a society namely Sports and Physical Fitness Authority with the objective to encourage, promote and develop physical activity and sports and to develop quality sports infrastructure in the State. The State Government sanctioned and released ₹ 3.86 crore to the Society in March 2017 as grants-in-aid under the head 2204-Sports and Youth Services (Plan) – 104 Sports and Games, 57-Infrastructure Scheme. The funds were deposited in the saving bank account of the Society. The funds remained unutilised and blocked till date (December 2020) as the building of the Society was not handed over by the Haryana Shehri Vikas Pradhikaran and no technical officer was appointed for construction activities. As such, ₹ 3.86 crore was released without any immediate requirement and without proper planning.

The Department released ₹ 10.09 crore to seven DSCs and newly constituted Sports and Physical Fitness Authority without immediate requirement resulting in parking of funds outside the Government Accounts for more than four years and interest loss of ₹ 3.38 crore to the State.

The matter was referred (April 2021) to the State Government; and subsequent reminder was issued in June 2021; their reply was awaited (September 2021).

During exit conference (August 2021) the Department admitted the facts and stated that the matter regarding construction of building work of Hostels in four districts i.e. Fatehabad, Sirsa, Hisar and Nuh would be started soon after finalisation of site and drawings and in remaining cases funds are being deposited in receipt head of Government.

Recommendation: State Government may consider developing a robust internal control system to prevent parking of funds outside the Government Accounts.

¹⁰ Average rate of borrowing of State Government for the year 2016-17: 8 per cent; 2017-18: 8.10 per cent; 2018-19: 8.81 per cent and 2019-20: 8.31 per cent = 8.30 per cent.

**Town and Country Planning Department
(Haryana Shehri Vikas Pradhikaran)**

2.4 Loss due to non-recovery of lease money

The Haryana Shehri Vikas Pradhikaran (HSVP) suffered a loss of ₹ 0.49 crore due to delay of more than one year in handing over the banquet hall at Sector 4, Rewari to the lessee and of ₹ 2.95 crore due to extending undue favour to the lessee by not evicting him from the property even on his failure to pay lease money and by not recovering the lease money for four years.

Section 15 (3) of the Haryana Urban Development Authority Act, 1977 (the Act) authorises the Haryana Shehri Vikas Pradhikaran (HSVP) to lease any land or building belonging to it on such terms and conditions as it may provide. Section 16 of the Act provides that where any person makes default in the payment of any rent due in respect of any lease of any land or building under Section (15), such amount may be recovered from him, in the same manner as arrears of land revenue. Section 18 (1) of the Act provides that if any person authorised to occupy any premises of the HSVP has not paid rent lawfully due from him for period of more than two months, the Collector or any officer authorised by him shall evict, that person from, and take possession of, the premises/land or building constructed thereon and shall for that purpose use such force as may be necessary and the cost incurred on such measures shall be recoverable from such person as arrears of land revenue.

HSVP invited tenders for leasing out banquet hall in Sector 4, Rewari for which two bids were received. The bids were opened in March 2014 by a committee headed by Administrator HSVP, Gurugram. The bid of M/s New Variety Decorators Pvt. Ltd, New Delhi (lessee) was approved, and the lease of banquet hall was awarded (June 2014) to the lessee for three years on ‘*as is where is basis*’ on the following conditions *inter-alia*:

- Advance monthly rent of ₹ 3.78 lakh plus service tax was to be deposited by the lessee on 7th day of each month and in case of delay, interest at the rate of 15 *per cent* per annum was payable.
- The lessee was required to furnish security deposit of ₹ 13.60 lakh i.e. equal to 10 *per cent* of total lease money for three years.
- In the event of breach of any of the agreed terms and conditions, the HSVP was entitled to forfeit the whole or the part of security deposit besides terminating or revoking the lease. On revocation, the lessee was to quit and vacate the premises without any resistance and obstructions and give the complete control of the premises to the HSVP.

- Initial lease period was of three years which could further be extended with further increase of 25 per cent in monthly lease.

During scrutiny of the records (March 2019) in the office of Estate Officer, Rewari, it was observed that the agreement was entered into on 2nd September 2014 but security deposit of ₹ 13.60 lakh was deposited (July 2015) by the lessee after lapse of ten months. It was further noticed that due to some shortcomings in provision of essential services, the possession could be handed over to the lessee in November 2015, with the delay of 13 months¹¹ resulting in loss of ₹ 0.49 crore to HSVP for this period. After attaining the possession, the lessee paid only one instalment of ₹ 4.31 lakh (licence fee ₹ 3.78 lakh + service tax) for the month of November 2015 and thereafter had not paid any amount.

Despite default in paying monthly lease money since December 2015, the Estate Officer, Rewari had not issued notice under Sections 16 (2) and 18 (1) of the Act for revoking the lease agreement, eviction of lessee from the property and for recovery of dues as arrears of land revenue. The Estate Officer, Rewari kept on issuing notices to the lessee for clearing outstanding dues for 40 months up to March 2019 i.e., even after lapse of three years of lease agreement in October 2018. The agreement with the lessee was not renewed after expiry period and terminated only in April 2019. Thus, lessee continued to occupy premises unauthorisedly w.e.f. November 2018 till eviction from the property in October 2019. But till date no amount had been recovered from the lessee. The Estate Officer, Rewari issued (January 2020) a legal notice for recovery of ₹ 2.02 crore but no legal proceedings initiated thereafter. As of March 2021, a total amount of ₹ 2.95 crore was recoverable from the lessee (principal lease amount ₹ 1.97 crore for the period from December 2015 to September 2019 and interest amount ₹ 0.98 crore).

Thus, the HSVP suffered a loss of ₹ 0.49 crore due to delay of more than one year in handing over the banquet hall to the lessee and of ₹ 2.95 crore due to extending undue favour to the lessee by not evicting him from the property even on his failure to pay lease money and by not recovering the lease money for four years.

The matter was referred (April 2021) to the State Government; and subsequent reminders were issued in June and August 2021; their reply was awaited (September 2021).

During exit conference (August 2021), the Department admitted the facts and stated that efforts for recovery as arrears of land revenue was being taken by the department and security deposit amount has been forfeited.

¹¹ From the date of agreement i.e., September 2014 to date of possession till November 2015: ₹ 3.78 lakh * 13 = ₹ 49.14 lakh

Recommendation: *The State Government may consider to fix responsibility on officers of HSVP for extending undue favour by not taking requisite action against the lessee as per provisions of HUDA Act and terms and conditions of the agreement leading to loss of ₹2.95 crore to the HSVP as well as taking up recovery as arrears of land revenue.*

2.5 Non-recovery of compensation from contractor

The Executive Engineer, HSVP Division No.1, Faridabad made no efforts for recovering ₹ 1.61 crore from a contractor for excess expenditure on completion of work of providing and laying water supply, sewerage and storm water drainage in Sector 61, Faridabad at his risk and cost and for compensation imposed for delay in completion of work.

Chief Administrator, HSVP, Panchkula accorded (August 2014) three administrative approvals for ₹ 8.81 crore for providing water supply (₹ 3.76 crore), sewerage (₹ 1.56 crore) and storm water drainage (₹ 3.49 crore) in Sector 61, Transport Nagar, Faridabad. A consolidated notice for inviting tenders for ₹ 6.90 crore was prepared for executing all the three works comprising of water supply, sewerage and drainage.

HSVP entered into a contract with M/s Piyush Colonizer Ltd. (July 2015) (Contractor A) for execution of work of providing and laying water supply, sewerage and storm water drainage in Sector 61, Faridabad for ₹ 5.52 crore. In terms of contract agreement, the contract was to be completed with a time limit of 12 months i.e. by July 2016. As per clause 2 of the conditions of the contract, the contractor was liable to pay compensation as penalty of an amount not exceeding ten *per cent* of the estimated cost of the work, if he failed to complete the work in time. The Executive Engineer (EE) was also authorised to rescind the contract and get the work executed from another contractor at the risk and cost of the first contractor. Further, security deposit equal to five *per cent* of estimated cost of work was to be obtained from the successful bidder and Haryana PWD Code envisages that it shall be the duty of the EE to obtain independent confirmation about the genuineness of the bank guarantee directly from the issuing bank.

Performance Bank Guarantee (BG) (issued by Vijaya Bank on 09 July 2015 valid up to 30 June 2018) of ₹ 28.00 lakh equivalent to five *per cent* of award amount was obtained from the contractor.

The contractor did not start the work till December 2015 and the EE imposed (07 January 2016) penalty equivalent to five *per cent* of the estimated cost i.e. ₹ 34.50 lakh on the contractor. Thereafter, the contractor started the work but did not complete the work by the scheduled date i.e. July 2016. The EE increased (19 April 2017) the compensation from five to 10 *per cent* of the estimated cost amount i.e. ₹ 69 lakh and advised him to complete the work and

show progress within seven days. But even after lapse of 24 months, the work was incomplete. Resultantly, the EE rescinded the contract in July 2017. An amount of ₹ 2.90 crore had been paid to the contractor up to 10th and Running bill by October 2016.

Advertisement for balance work was prepared at the risk and cost of the original contractor. The Chief Engineer approved (March 2018) the work for ₹ 3.20 crore. After tendering, the work was allotted (June 2018) to M/s Garga Associates (Contractor B) at 19.86 *per cent* above the ceiling rates restricting the amount to ₹ 3.79 crore with a time schedule of six months. The agency has completed the work at site. Payment of ₹ 3.60 crore has been made to the contractor up to 5th & Running bill by March 2019. Final bill remained to be prepared so far. An amount of ₹ 0.92 crore (**Appendix 2.6**) upto the 5th & Running bill was recoverable from Contractor A due to excess expenditure incurred at his risk and cost. Thus, a total amount of ₹ 1.61 crore (Clause 2 compensation: ₹ 0.69 crore + Clause 3 compensation: ₹ 0.92 crore) were recoverable from the contractor A.

The BG of ₹ 0.28 crore could not be encashed as the bank disowned the BG and intimated (May 2018) that they had not issued the same. It is evident that the EE accepted BG from the contractor without following the provisions of PWD Code. The EE replied (December 2020) that the amount was still recoverable due to allotment of balance work at risk and cost. Correspondence was made with other offices of HSVP as well as other departments, but no response was received there against and amount of bank guarantee was also recoverable. The reply only strengthens the audit point that the EE had not made efforts for recovery of ₹ 1.61 crore from the contractor and not even filed a first information report (FIR) with the Police for fake BG. Proceedings for blacklisting the contractor had also not been initiated.

The matter was referred (January 2021) to the State Government; and subsequent reminders were issued in March and August 2021; their reply was awaited (August 2021).

The Chief Administrator, HSVP in its reply (June 2021) stated that efforts would be made for recovery from the defaulter and the matter of BG had been taken up with higher authorities of the issuing bank for further necessary action.

During exit conference (August 2021), the Department admitted the facts and stated that this was a matter of breach of contract by the original contractor and the matter regarding BG was under process.

Recommendation: The State Government may consider to fix responsibility on the Executive Engineer concerned for not taking strenuous action against the original contractor for recovery and for accepting fake performance bank guarantee causing loss to the State. The contractor should be blacklisted and

restrained from participating in tendering process in Government Departments as well as PSUs.

Labour Department

2.6 Recoverable amount from employers against declined cheques

The Labour Welfare Board suffered a loss of ₹ 1.54 crore as the cheques deposited by 1,057 employers were declined by banks. The amount was neither recovered with penal interest as arrears of land revenue nor was timely action taken to get the defaulters penalised under Negotiable Instruments Act, 1881.

Section 3 (1) of the Punjab Labour Welfare Fund Act, 1965 provides for the constitution of the Labour Welfare Fund for financing the activities to promote welfare of labour in the State of Haryana. For the purpose of administering the fund, the State Government shall establish a Board to be known as 'The Haryana Labour Welfare Board' consisting of twelve members¹² (Section 4). The Board shall appoint a Welfare Commissioner, who shall be the principal executive officer of the Board (Section 14). Rule 3 of the Punjab Labour Welfare Fund Rules, 1966 made under the Section 27 of the Act, *ibid*, provides that every employer shall pay¹³ to the Welfare Commissioner all fines realised from the employees, all unpaid accumulations held by the employer and monthly contribution¹⁴ of employer and employees. The Welfare Commissioner shall deposit all the receipts in Bank Account and shall operate the accounts of the fund. Section 9 A (3) of the Act provides that in case of default in payment, the employer is liable to pay interest at the rate of twelve *per cent* per annum. Section 20 of the Act authorises the Board to recover the sums payable into the Fund as arrears of land revenue. Besides, Section 138 of the Negotiable Instruments Act, 1881 provides for imprisonment for a term which may extend to two years or imposition of fine which may extend to twice the amount of cheque or both where cheque is dishonoured due to insufficiency of funds, provided that the payee makes a demand for the payment from the drawer of the cheque through a written notice within 30 days of receipt of information about dishonour of cheque.

¹² Four members each as representatives of employers and employees and four independent members including Chairperson and Vice-Chairperson.

¹³ In cash or by money order or by postal order or by demand draft or by cheque drawn on the State Bank of India or any Scheduled Bank duly crossed in favour of the Welfare Commissioner.

¹⁴ As per section 9A of Act, each employee shall contribute to the fund every month an amount of equal to 0.25 *per cent* of his salary or wages or any remuneration subject to a limit of ₹ 25 and each employer in respect of each such employee shall contribute to the fund every month, twice the amount contributed by such employee.

During scrutiny of the records (September 2020) of Haryana Labour Welfare Board, Panchkula, it was noticed that during the period April 2008 and March 2020 cheques of ₹ 1.54 crore received from 1,057 employers as contribution to the Fund had been declined and not credited to the bank account of the Board.

Year-wise detail of declined cheques

Cheques received during	Number of Employers	Amount (₹ in lakh)
Between April 2008 and March 2015	522	44.25
2015-16	80	10.21
2016-17	102	15.48
2017-18	88	11.14
2018-19	245	65.87
2019-20	20	7.30
Total	1,057	154.25

The main reasons given by the banks for dishonouring cheques were mismatch of signatures, payment stopped by drawer, insufficient funds, name mismatch, account closed etc. The Board did not issue notices to the employers whose cheques were declined by banks. It had instead issued occasional instructions to the Labour Welfare Officers in the field to recover the amount from the employers in their respective area. The recoverable amount due to declined cheques thereby accumulated to ₹ 1.54 crore as of March 2020.

Thus, the Board suffered a loss of ₹ 1.54 crore due to failure to take appropriate steps for recovering the amount from the employers whose cheques were declined by banks.

The State Government in its reply (April 2021) stated that an amount of ₹ 63.26 lakh had been recovered out of ₹ 1.54 crore and efforts for balance recovery would be made in remaining cases. Disciplinary action against the defaulting officers/official was under process.

Recommendation: The actions initiated on issues being pointed out in audit may be monitored and completed in a reasonable period of time.

Urban Local Bodies Department

2.7 Excess payment to professional services provider

The Director General, Urban Local Bodies made an excess payment of ₹ 1.15 crore for services by a professional services provider on account of inadmissible service tax/GST, professional fee and by not reducing the remuneration on substitution of personnel.

Request for proposal (RFP) for selection of professional service provider for providing 49 experts/specialists for setting up of Project Management Unit

(PMU) at Directorate level and 21 Project Implementation Units (PIUs) at district Headquarters under Swachh Bharat Mission (SBM) (Urban) in Urban Local Bodies Department, Haryana was invited in March 2016. The PMU/PIUs were required to determine demand supply gap for SBM and accordingly undertake various activities as per SBM guidelines.

In response to the tender notice, only one firm namely M/s IPE Global Limited submitted (May 2016) its bid. The bid was re-invited (May 2016) and again M/s IPE Global Limited submitted the bid. After deliberations, it was proposed by the Department to open the financial bid as the work of SBM was suffering due to shortage of staff and the firm was a renowned company and was implementing such projects in other States like Odisha. Thereafter, work was awarded (December 2016) and agreement executed in March 2017. The price bid submitted by the service provider (Firm) reflected the service tax component separately. The agreement executed was a lumpsum contract inclusive of all taxes i.e. service tax amongst others was also a part of agreed price. The price was determined post negotiation. The Director, Urban Local Bodies (DULB) paid ₹ 8.37 crore to the firm between March 2017 and December 2019. This included ₹ 1.15 crore which was identified as being an excess payment as per details in succeeding paragraphs:

i) Excess payment on account of Service Tax/GST

As per notifications (dated 20 June 2012 read with notification dated 28 June 2017) issued by the Ministry of Finance (Department of Revenue) Government of India (GoI), manpower services provided to a local authority were exempt from Service Tax/GST. Audit noticed that payment of ₹ 12.18 lakh was made to the firm which could be identified with Service Tax/GST for the period between March 2017 and December 2017.

The State Government replied (September 2021) that in the financial bid submitted by the professional service provider (PSP), the remuneration was quoted on lumpsum basis, inclusive of all taxes and other statutory liabilities and the firm had deposited the service tax as applicable. As the fee was determined and agreed on the basis of lumpsum rates, the PSP continued to charge their invoices based on the lumpsum amount payable. The reply was not correct as services provided by the firm were exempt from Service Tax/GST. As such payment of ₹ 12.18 lakh (March to December 2017) to the firm by the DULB is inconsistent with the GoI notification despite being included in the lumpsum amount under the agreement. This is attributable to deficiency in price determination by the department while finalising the price with the PSP.

ii) Excess payment on account of professional fee

Up to June 2017, the firm raised monthly invoices for experts/specialists deployed showing separately the professional fee and service tax @ 15 per cent.

With effect from July 2017, GST Act was implemented. The firm raised its invoices for the period between July and December 2017 wherein professional fee plus GST at the rate of 18 *per cent* was claimed. The Department released payment to the firm in February 2018 after deducting three *per cent* of claimed GST on the plea that Service tax rate was agreed upon at the rate of 15 *per cent*. On realising that these services were exempt from GST, the firm started claiming nil GST in its invoices w.e.f. January 2018 and enhanced the professional fee by 15 *per cent*. As such, the bills were raised under the head-professional fees for entire quoted amount which included Service Tax @ 15 *per cent*.

Audit observed that the DULB failed to act diligently and continued to pay the bills as presented. This resulted in excess payment of ₹ 96.75 lakh for the professional services.

The State Government replied (September 2021) that the risk related to tax implication had to be solely borne by the PSP and there was no subsequent amendment to the contract. Therefore, Directorate continued to pay the bills of the PSP based on the original agreed and allotted rates as the risk and benefit involved in taxation and statutory provisions had to be borne by the PSP alone.

The reply was misleading as the service tax @ 15 *per cent* was separately shown and included in the financial bid as well as negotiated rates quoted by the firm. Undisputedly, services to municipalities were exempted from service tax/GST as such no payment was payable to the firm on account of service tax/GST in any form but the firm enhanced its professional fee by 15 *per cent*. The department should have recognised the mistake in price determination and rectified the contracted price after acknowledging that these services being provided by the PSP were exempt from levy of service tax/GST.

iii) Excess payment due to substitution of key personnel

As per para 2.25 of the RFP, substitution of the Sanitation Expert cum Team Leader was to be permitted in exceptional circumstances, if the leader is not available for unavoidable reasons, subject to equally or better qualified and experienced personnel being provided to the satisfaction of the department. Further, the substitution can be permitted once subject to reduction of remuneration up to two *per cent* of the total remuneration.

It was noticed that in contravention of the contractual clause, the sanitation expert cum team leader was substituted thrice, that too without reduction of remuneration which resulted into excess payment of ₹ 6.15 lakh to the firm. Reasons for substitution, exceptional circumstances, qualification and experience of substituted candidates and approvals of the department for such substitutions were not on record. In the absence of the same, substitutions were irregular and in gross contravention of contractual provisions.

The State Government replied (September 2021) that the replacement of the expert was done under exceptional force majeure situations and with the intention to improve project tasks and after approval of the competent authority. The reply was not sustainable as the remunerations were to be reduced by two per cent as stipulated in para 2.25 of the RFP.

Thus, an excess payment of ₹ 1.15 crore was made for the professional services on account of service tax/GST, professional fee and non-reduction of remuneration on substitution.

Recommendation: The Department may consider to fix responsibility of the concerned officials for the lapses and recover the amount paid in excess to the professional service provider.

Public Health Engineering Department

2.8 Extra expenditure on purchase of land

An extra expenditure of ₹ 1.04 crore was incurred on purchase of land by making lump sum payment to the aggregator without considering the actual price paid to the landowners in violation of the land purchase policy of the State Government.

The State Government has formulated (February 2017) a policy for purchase of land voluntarily offered to Government for development projects. As per the policy, the Administrative Department shall indicate its intention to locate development project in the technically widest feasible region through newspapers and the online portal of the Haryana State Industrial and Infrastructure Development Corporation (HSIIDC). In response, the landowners can offer their land voluntarily for the project themselves or through an aggregator¹⁵. The Department shall physically inspect the site and examine the reasonability of rates in the offers. A Committee of Secretaries under the chairmanship of Chief Secretary shall scrutinise the departmental proposal along with details of eligible sellers and aggregators. Upon clearance from the Committee of Secretaries, department shall put up the case to High Powered Land Purchase Committee, constituted under the chairmanship of Minister, Revenue and Disaster Management, for effecting the purchase at the finally negotiated rates. By relaxing the policy for Public Health Engineering Department (PHED), the State Government (April 2017) granted permission to

¹⁵ Aggregator is a person empanelled by HSIIDC for aggregating lands of various landowners who are desirous of voluntarily selling their land for development of project. Facilitation charges as decided by Government from time to time, shall be paid to the aggregator which shall be released after completion of registration, mutation and delivery of possession.

purchase land on collector rates¹⁶ from the willing landowners for taking up water supply and sewerage works.

The Engineer-in-Chief, PHED approved (June 2017) a project¹⁷ for augmentation of water supply in quality affected 84 villages of Prithla and Palwal blocks of District Palwal and Ballabgarh block of district Faridabad for ₹ 24.22 crore. Instead of purchasing requisite land by following February 2017 policy as well as April 2017 permission for purchase of land on collector rates, the item of purchase of 3.7 acre land was made the part of Detailed Notice Inviting Tenders (DNIT). The tenders were opened in July 2017 and work was allotted to an agency in July 2017 for ₹ 28.68 crore which included ₹ 2.63 crore for purchase of 3.70 acre land at a rate of ₹ 0.71 crore per acre. The collector rates of land were ₹ 0.50 crore per acre during the year 2016-17, 2017-18 and 2018-19. The agency executed the work to the tune of ₹ 24.87 crore (March 2021).

The agency purchased 3.591 acre of land between February and June 2018 for ₹ 1.51 crore (*Appendix 2.7*). Correspondingly, the department paid ₹ 2.55 crore (February 2019) at the rate of ₹ 0.71 crore per acre to the agency i.e. an extra amount of ₹ 1.04 crore¹⁸.

The State Government replied (August 2021) that land for the purpose of construction of Ranney Wells cannot be acquired randomly and selection of site involves a lot of time, team of experts and lot of expenditure. So, this was the best economical and less time-consuming way of purchasing land for this purpose. The reply was not tenable as instead of paying a lump sum rate to the contractor who was working as an aggregator for purchase of land, the department should have paid facilitation charges for making available the land for purchase for Government project. Moreover, the cost of land given to the contractor cannot be compared with the land Compensation Act as the actual cost of land is available.

Thus, by not complying with the Government policy for purchase of land and by making lump sum payment to the contractor, without considering the actual price paid to the landowners, the PHED incurred an extra expenditure of ₹ 1.04 crore on purchase of land.

Recommendation: State Government may consider developing a suitable internal control procedure consistent with Government policies.

¹⁶ Collector rate is the value fixed by district level committee headed by Deputy Commissioner (Collector) for different categories of land in rural as well as in urban areas.

¹⁷ Comprising construction of two ranney wells, installation of two tubewells, construction of main boosting station in village Mohna and pumping station, pumping machinery, independent feeder for ranney wells, etc.

¹⁸ ₹ 2.55 crore minus ₹ 1.51 crore = ₹ 1.04 crore

2.9 Wasteful expenditure on non-functional water works

The Executive Engineer, Public Health Engineering Division No. 2 Hisar incurred wasteful expenditure of ₹ 1.01 crore on the augmentation/renovation of the water works, village Khairi (Hisar) without ascertaining field conditions as a result the water works remained submerged in the waste water of village pond.

Para 10.1.3 of the Haryana PWD Code (Code) provides that while preparing the estimate of any project, the site shall be inspected to ascertain field conditions (specifically for water supply schemes). It should be ensured (Para 10.12.2 (g) of the Code) that the storage and sedimentation (S&S) tank was not in interference with sub soil water level. Further, Para 6.5.1 of the Code provides that the Executive Engineer is responsible for the execution and management of all works within his Division. He is responsible for administration of contracts, quality of works and their timely completion within a reasonable period.

During scrutiny of records (March 2018) in the office of Executive Engineer, Public Health Engineering (PHE) Division-2, Hisar (EE) and subsequent information obtained during March 2021, it was found that the EE proposed an estimate¹⁹ for augmentation/renovation of water works, Khairi for ₹ 0.91 crore. The objective was to increase the drinking water supply from 52 litre per capita per day (lpcd) to 70 lpcd to the villagers. The estimate was administratively approved by Water Supply and Sewerage Board (WSSB) in April 2013. The detailed notice for inviting tenders (DNIT) was approved for ₹ 0.80 crore by the Engineer-in-Chief, PHE Department in December 2013. The work was allotted to a contractor in February 2014 for an agreement amount of ₹ 1.02 crore with a time limit of nine months (i.e., up to December 2014) which was extended up to August 2015.

During a visit in November 2014, the Chief Engineer (Rural) PHED observed that the water works, Khairi adjoined the village pond and all the structures of water works were submerged in the waste water of village pond. He proposed to revise the estimate by providing for construction of Reinforced Cement Concrete Storage and Sedimentation (RCC S&S) tank instead of brick lined Storage and Sedimentation (S&S) tank, draining out the waste water from water works structures and construction of earthen bundh for protecting the water works from pond water. Accordingly, the revised estimate for ₹ 1.23 crore was administratively approved by the WSSB in March 2015. The contractor had

¹⁹ Estimate provided for providing RCC inlet channel, a new brick lined storage and sedimentation (S&S) tank, one RCC filter bed, repair of two clear water tanks, repair of pump chamber, repair of staff quarter, repair/construction of boundary wall and replacement of pumping machinery.

executed work²⁰ amounting to ₹ 1.01 crore, paid in June 2015 vide 3rd running bill.

However, during inspection in August 2018 by PHED officials, it was found that the waste water from pond had entered the water works and the structures were still submerged in waste water. To address this problem, the estimate was revised again with a provision for retaining wall for making the newly constructed S&S tank functional (January 2019). This was yet to be approved by the competent authority (March 2021). During physical verification (March 2021) of site, alongwith PHED officials, it was found that the entire water works were submerged in waste water of the village pond as depicted from the photographs below:



Storage and Sedimentation tank filled up with waste water of pond (16 March 2021)

Thus, due to failure on the part of the EE, in ascertaining the site conditions properly before preparing the estimate and incurring expenditure, an amount of ₹ 1.01 crore on the augmentation and repairing of water works was rendered wasteful.

The Government in its reply (August 2021) stated that ground water is mixing with the water in the structure made. The ground water is brackish and not potable for drinking purpose. Efforts were made to construct new structures but could not succeed due to high spring level and inflow of water.

Recommendations: The State Government may consider to fix responsibility on officers/officials of PHED at fault for incurring wasteful expenditure on non-functional water works.

²⁰ Construction of RCC S&S tank: ₹ 87.15 lakh, Earthen Bundh : ₹ 2.84 lakh, Bailing out the water: ₹ 4.95 lakh and Providing Pumping Machinery : ₹ 5.88 lakh