CHAPTER III

PERFORMANCE APPRAISALS

AUDIT REVIEWS

Education Department
(Prathmik Shiksha Pariyojna Parishad)

3.1 Sarva Shiksha Abhiyan

Highlights

The main objectives of the programme to bring all children in school, alternate school and back to school camp by 2005 and increasing the coverage of special focus group (girls and SC/ST children) were not achieved as 2.88 lakh (6 per cent) children were still out of school in the state as on 31 March 2005 while the number of out of school girls both in general and SC category was higher as compared to boys. Despite huge investments in training of teachers and teaching learning equipments, the quality of educational standards has not improved, as evident from the pass percentage in the Board examination. Monitoring of the programme by the General Council and Executive Committee was ineffective.

- **Against the approved budget provision of Rs 459.16 crore, only Rs 300.39 crore were released by the GOI and the State Government during 2002-05, out of which the Parishad could spend only Rs 232.15 crore (77 *per cent*) on implementation.**

(Paragraph 3.1.6.1)

- **There were instances of financial mismanagement by way of diversion of funds amounting to Rs 28.29 crore and purchases worth Rs 1.46 crore made without sanction.**

(Paragraphs 3.1.8.1to 3.1.8.3)

- **There was a mismatch between requirements and printing of textbooks, as a result 23,414 textbooks in excess were lying in stock.**

(Paragraphs 3.1.10.1)

- **No Internal Audit system was set up in the Parishad, resulting in the programme being denied the benefit of valuable inputs regarding financial management and programme implementation.**

(Paragraph 3.1.11)

3.1.1 Introduction

Sarva Shiksha Abhiyan (SSA), a comprehensive and integrated programme, was launched by Government of India (GOI) in 2000-01 in partnership with State Governments and Local Self-Governments to attain universal elementary education in the country in a mission mode. It aims at providing useful and relevant education to all children in the age group of 6-14 years by 2010. Besides this the goal was also to bridge all social, regional and gender gaps with the active participation of the community in the management of the schools.

In Haryana, this programme was launched initially in 16 districts from April 2002 and subsequently the remaining three[1] districts were also covered in 2003-04. However, pre-project activities were started in 2001-02.

3.1.2 Objectives of the programme

The main objectives of the programme were:

- to have all children in schools, education guarantee centres, alternate schools, back to school camp, etc. by 2005;
- to ensure that all children complete five years of primary schooling by 2007;
- to ensure that all children complete eight years of elementary schooling by 2010;
- focus on elementary education of satisfactory quality with emphasis on education for life;
- bridge all gender and social category gaps at primary stage by 2007 and at elementary education level by 2010; and
- universal retention of children by 2010.

[1] Bhiwani, Gurgaon and Mahindergarh.

3.1.3 Organisational set up

The Haryana Prathmik Shiksha Pariyojna Parishad (Parishad), registered under the Societies Act 1860, functions as an autonomous body for implementation of SSA. The Parishad had two committees namely, the General Council and the Executive Committee. The General Council headed by the Chief Minister was required to review the implementation of the project and lay down necessary broad guidelines. The Executive Committee headed by Chief Secretary, Haryana Government as Chairman and Financial Commissioner and Principal Secretary, Education Department as Vice-Chairman was to provide directions and guidance for project formulations apart from monitoring and supervising the implementation of the Project. The State Project Director (SPD) was the Chief Executive Officer of the Parishad and Ex-officio Secretary of the General Council as well as of Executive Committee. He was responsible for proper administration of the affairs and funds of the Parishad and implementation of various activities of the Parishad.

At the district level, District Education Officers, who were also functioning as District Project Co-ordinators (DPCs), were responsible to implement, monitor and evaluate the implementation of the programme. The DPCs were assisted by Block Education Officer-cum-Block Resource Co-ordinators (BRC) who were responsible for providing training to teachers, free distribution of text-books and monitoring school activities. At the village level, Village Education Committees (VECs) were responsible for proper monitoring and supervision in the schools and Village Construction Committees (VCCs) were responsible for carrying out the civil works under the Programme.

3.1.4 Audit objectives

Main objective of the performance audit was to evaluate the performance of the programme in attaining universal elementary education as stipulated. The Audit objectives were to see whether:

- different components of the programme were need based, well designed and relevant to the operational environment prevalent in the State;
- the funds provided under various components were utilised as per the approved plan;
- the enrolment under special focus group (girls and SC/ST children) had reached satisfactory level;
- the quality of educational standards has improved as a result of implementation of SSA; and
- a proper monitoring system was in place and effective.

3.1.5 Audit methodology

Records relating to the implementation of the programme for the period 2002-05[2] were test checked during April 2005 to July 2005 in the offices of the State Project Director of Parishad and five[3] out of districts DPCs, 15 Block Education Officers (BEOs), 15 Alternative and Innovative Education (AIE) centres and 90 Schools in these five districts. The selection of districts was made applying the PPSWR (Probability Proportional to Size with Replacement) method and selection of BEOs and AIE Centres (three in each district) and schools (18 in each district) by applying Simple Random Sampling Without Replacement (SRSWOR) method.

The services of Social and Rural Research Institute (SRI), a specialist unit of IMRB International were commissioned to survey and assess the impact of Sarva Shiksha Abhiyan. All the heads of all schools in the State were requested (January 2006) to provide full co-operation to the representatives of SRI. Sampling methodology/design for the beneficiary assessment are given in ***Appendix XIV***. SRI carried out the survey in all the 19 districts covering 285 villages/blocks and 5,882 households during December 2005-Febuary 2006. A summary of their findings has been given in ***Appendix XV***. The results of performance audit and survey are discussed in the succeeding paragraphs.

Audit findings

3.1.6 Funding and financial management

3.1.6.1 Budget provisions and expenditure

Against the release of Rs 300.39 crore, only Rs 232.15 crore were spent

The Programme cost was to be shared between GOI and the State Government in the ratio of 75:25 in the X[th] five year plan (2002-07) and thereafter it would be in the ratio of 50:50 between GOI and the State Government. The GOI released funds directly to the Parishad in two instalments and funds were credited to the bank account of the Parishad.

The details of approved budget, funds released by GOI/State Government and expenditure thereagainst were as under:

(Rupees in crore)

Year	Approved budget	Funds released by GOI	Funds released by State Government	Total	Expenditure
2002-03	81.38	29.16	9.39	38.55	27.37
2003-04	150.94	68.95	22.98	91.93	91.19
2004-05	226.84	126.97	42.94	169.91	113.59
Total	**459.16**	**225.08**	**75.31**	**300.39**	**232.15**

[2] The programme has implemented in the State from April 2002.

[3] Ambala, Bhiwani, Faridabad, Sirsa and Yamunanagar.

Parishad could utilise only 77 *per cent* of total funds provided under the scheme during the period 2002-05. The reasons for non-utilisation of Rs 68.24 crore were not intimated.

Further, scrutiny revealed that the Government of India/State Government released respective share of funds without indicating component-wise allocation. However, the State Project Director on the basis of Annual Work Plans, made allocation for each component. Allocation made in annual work plan and expenditure incurred under each component during 2002-2005, given in ***Appendix XVI,*** indicates about 34 *per cent* of allocated funds were spent on civil works, 18 *per cent* on teachers salary and for their in house training, 13 *per cent* on free distribution of books.

3.1.6.2 Delayed release of funds

The GOI was to release its share of the funds in two half-yearly instalments i.e. by 15 April and 15 September. It was, however, observed that first instalement was delayed by a period of 90 and 191 days during the years 2003-04 and 2004-05 respectively. The corresponding State's share was also delayed by 17 to 70 days after the stipulated period of 30 days from the date of Government of India release. Delayed release of funds hampered the smooth implementation of the programme.

3.1.7 Programme Implementation

3.1.7.1 Enrolment of eligible children

Against the target of bringing all the children in the age group of 6-14 years in school by 2005, actual achievements were 94 *per cent* at the end of 2004-05 in the state

As per SSA framework, it was mandatory to track the progress of each and every child and gather information about all children in the age group of 6-14 years. GOI released (2001-03) Rs 1.85[4] crore as a pre-project grant for carrying out household survey for the identification of eligible children. In the survey conducted, four out of the five districts test checked were covered. In respect of Vth district, the department stated that as the district Bhiwani was covered under the DPEP, the required survey was not conducted. In four districts covered by the survey, out of 9,47,888 eligible children identified during 2001-02 in the age group of 6-14 years, 8,64,725 (91 *per cent*) were enrolled for elementary education as detailed below:

Name of districts	Children in the age group of 6-14 years as per Household Survey					Number of children enrolled				
	Non-SC		SC		Total	Non-SC		SC		Total
	Boys	Girls	Boys	Girls		Boys	Girls	Boys	Girls	
Ambala	65,347	53,587	29,623	25,414	1,73,971	63,766	51,879	27,855	23,423	1,66,923
Faridabad	1,69,274	1,36,542	40,908	32,949	3,79,673	1,57,332	1,21,474	36,454	28,097	3,43,357
Sirsa	68,036	56,170	34,726	29,590	1,88,522	61,570	49,450	28,589	22,179	1,61,788
Yamunanagar	80,236	65,855	31,900	27,731	2,05,722	76,094	60,806	30,187	25,570	1,92,657
Total	**3,82,893**	**3,12,154**	**1,37,157**	**1,15,684**	**9,47,888**	**3,58,762**	**2,83,609**	**1,23,085**	**99,269**	**8,64,725**

[4] Rs 1.54 crore in 2001-02 and Rs 31 lakh in 2002-03.

Percentage of enrolment of girls was less (89 *per cent*) as compared to boys (93 *per cent*). The percentage of enrolment of SC children was less (88 *per cent*) than the non-SC children (92 *per cent*).

One of the main objectives of the scheme was to bring all the children in the age group of 6-14 years in schools by 2005. However, after the introduction of SSA in the State, out of total 46.74 lakh eligible children in the age group of 6-14 years, 43.86 lakh (94 *per cent*) were enrolled in the State and 2.88 lakh (6 *per cent*) children were out of school as on 31 March 2005. Position of population of children and their enrolment in test checked districts as on 31 March 2005 was as under:

Name of districts	Children in the age group of 6-14 years as per household survey					Number of children enrolled				
	Non-SC		SC		Total	Non-SC		SC		Total
	Boys	Girls	Boys	Girls		Boys	Girls	Boys	Girls	
Ambala	66,389	55,161	30,239	25,417	1,77,206	64,753	53,166	28,526	23,713	1,70,158
Bhiwani	1,44,220	1,19,031	40,072	35,638	3,38,961	1,36,690	1,12,355	35,240	29,604	3,13,889
Faridabad	1,72,288	1,58,514	47,460	40,414	4,18,676	1,63,979	1,48,116	45,939	38,554	3,96,588
Sirsa	70,890	59,275	37,378	31,903	1,99,446	59,710	51,551	33,084	27,400	1,71,745
Yamunanagar	85,505	70,252	34,106	29,501	2,19,364	83,537	68,172	32,712	27,903	2,12,324
Total	**5,39,292**	**4,62,233**	**1,89,255**	**1,62,873**	**13,53,653**	**5,08,669**	**433,360**	**1,75,501**	**1,47,174**	**12,64,704**

As evident from the above table, out of 13.54 lakh children in the age group of 6-14 years only 12.65 lakh (93 *per cent*) children were enrolled and 0.88 lakh (7 *per cent*) children remained out of school as of 31 March 2005. Percentage of students enrolment in Sirsa district was low (86 *per cent*) as of 31st March 2005 in comparison to other test checked districts. Further, percentage of enrolment of girls (93 *per cent)* in comparison to boys (94 *per cent)* and SC children (91 *per cent)* in comparison to non-SC children (94 *per cent*) was lower.

Analysis of age wise break up of out of school children as on 31 March 2005 in these five test checked districts revealed that 19,251 girls in the age group of 11 to 14 years were out of school which comprise 53 *per cent* of the total out of school children.

Though Rs 232.15 crore have been spent in the State under the programme during 2002-05, the number of out of school children in the test checked districts has increased from 83,164 in 2001-02 to 88,949 in 2004-05.

The reasons for large number of eligible children remaining out of school were attributed by the Department to lack of interest, household work, migration, earning compulsions, socio cultural reasons and failure to pass the annual examinations.

The results of SRI survey pointed out that 31.5 *per cent* of villages and 20 *per cent* of urban blocks were not covered under Sarva Shiskha Abhiyan. The survey also brought out that about 34 out of every 1,000 children were out of school in the State. Of these, 35 per 1,000 in rural areas and 32 per 1,000 in urban areas were out of school. Among these, 37 per 1,000 were girls and 32 per 1,000 were boys. The survey also highlighted the fact that Scheduled

Castes and Scheduled Tribes (SC/ST) have the highest proportion of out of school children among all social groups. The ratio of out of school children for SC was 69 per 1,000 and for ST it was 196 per 1,000 against 13 per 1,000 of general category. The main reason reported by parents for not enrolling their children in schools was that the child had to look after household chores.

Apart from regular schools, back to school-camps were required to be organised to bring back those children who had dropped out. The survey brought out that about 2.6 *per cent* of primary schools, 2 *per cent* of upper primary schools and 4.4 *per cent* of high schools in the State reported that the school-camps were orgainsed by them.

3.1.8 Major interventions under Sarva Shiksha Abhiyan

3.1.8.1 Mis-utilisation of teaching-learning equipment funds

Grant of Rs 25.31 lakh for the purchase of teaching-learning equipment were utilsed on purchase of dustbins

Funds to the tune of Rs 50,000 per school were provided for the purchase of teaching-learning equipment (TLE) in upper primary schools. As per the Manual of SSA, teaching-learning material included a wide variety of items such as text-books, teachers' guide, teaching aids, learning aids, etc. which were either directly or indirectly to be used by the teachers/children in the class-room. Further, TLEs were to be purchased as per local specific requirement to be determined by teachers or school Committees.

It was noticed that the Parishad purchased (March 2004) 5,386 dustbins for Rs 25.31 lakh (at the rate of Rs 470 per dustbin) for 2,693 upper primary schools (at the rate of 2 dustbin per school) in violation of the codal provisions. It was, further, noticed that no specific requirements were obtained from teachers or school Committees for this item. Thus, the grant for TLE was not utilised for the purpose for which it was provided.

3.1.8.2 Teachers' salaries charged to SSA funds without appointment of new teachers under SSA

Salaries of Rs 28.04 crore charged to SSA funds, though no teachers were appointed under the scheme

According to Manual of Financial Management and Procurement issued by GOI (Ministry of Human Resource Development), the State Governments were to maintain their level of expenditure on elementary education as in 1999-2000. The SSA was not to substitute State funding for elementary education. Further, new teachers were to be appointed for opening of new schools and additional teachers for existing schools. The expenditure on these additional posts was only to be met from SSA funds.

Test-check of records of the Parishad revealed that State Government upgraded 364 branch primary schools to full fledged primary schools and created 728[5] additional posts of teachers during 2002-04.

[5] 166 posts in 2002-03 and 562 posts in 2003-04.

Audit observed that no fresh recruitment was made under SSA. However, the additional posts created as a result of upgradation of schools under this programme were filled up by surplus teachers which were already available with State Government. The pay and allowances of these teachers which hither to was the responsibility of State was also routed through SSA funds by issuance (March 2003) of a direction by Parishad for deposition of salaries of these teachers by all DPCs under the Government receipt head 0202-Education. Thus, during 2002-05, an amount of Rs. 28.04 crore charged to SSA funds was deposited in the Government account for payment of salaries of these teachers. This arrangement of meeting the salaries of teachers from SSA funds was not proper as this was the liability of the State Government as the programme clearly stipulated that the State Government should continue to maintain their level of expenditure on elementary education as was the expenditure in the year 1999-2000.

The SPD, while admitting that the salaries of teachers were being met out from SSA funds, stated that this was as per State Government directions.

3.1.8.3 Irregular purchase of material

DPC, Faridabad purchased material worth Rs 1.46 crore without the approval of competent authority

As per schedule of delegation of powers approved by Executive Committee, the DPCs were authorised to incur contingent expenditure upto Rs 2,000 at a time and upto Rs 10,000 at a time for organising workshops or on mobilization activities. Beyond this, Additional Deputy Commissioner (ADC), State Project Director (SPD) and Vice-Chairman of the Parishad were competent to sanction the expenditure under different components. In Faridabad district, the DPC made purchases of Rs 1.46 crore beyond his financial competence during the year 2004-05 as discussed below:

(a) Purchases of Rs 1.08 crore were made by DPC, Faridabad out of grants of the various components without obtaining financial sanction of the competent authority as depicted in the following table:

Sr. No.	Name of components	Material purchased	Amount (Rupees in lakh)
1	Innovative activities	Computer material	18.24
2	Management cost	Contingent expenditure	29.66
3	Intervention for disabled children	Wheel chairs	5.00
4	Alternate and innovative education/ Early childhood care and education	Stationery	20.59
5	Teachers training	Books	12.57
6	TLE/TLM	Maps, geometry boxes, etc.	20.22
7	Community mobilisation	Posters/stickers	1.53
	Total		**107.81**

(b) It was further noticed that DPC, Faridabad also sanctioned (2004-05) an expenditure of Rs 20.92 lakh for purchase of teaching-learning kits and Rs 17.26 lakh for purchase of utensils. In all these cases of purchases, though the amount had exceeded his competence but no efforts were made for obtaining required financial sanctions of State Project Director/Vice-Chairman of Parishad.

3.1.8.4 Blockage of funds

Science kits worth Rs 1.29 crore were not received till July 2005, though the payment was made in advance in March 2004

The Parishad placed an order (January 2004) with National Council for Educational Research and Training (NCERT), New Delhi for 2,693 Integrated Science Kits (ISK) for upper primary schools under the TLE component. The NCERT demanded the full payment of Rs 1.29 crore in advance for confirmation of the purchase order and stated that kits would be supplied in batches approximately in two years. As the amount was to be utilised by 31 March 2004, the Parishad made an advance payment of Rs. 1.29 crore by means of Bank Draft to the NCERT in March 2004. It was noticed that no science kit had been received so far (July 2005). Thus, due to non-fixation of time schedule for supply of kits and non-inclusion of penalty clause for delay in supply of kits in the purchase order, the receipt of kits had been delayed and the objective of the scheme remained unachieved (July 2005).

3.1.8.5 Purchase of Physics kits

Physics kits worth Rs 81.86 lakh were purchased without assessing any requirement from schools

As per guidelines of Manual on Financial Management and Procurement, TLE items were to be purchased as per local specific requirement to be determined by teachers/school Committees. The Parishad placed an order (April 2003) on a firm for the purchase of 2,693 Physics kits for Rs 40.93 lakh under TLE component. One kit was to be supplied to each of 2,693 schools. Again in December 2003, 5,386 kits (two kits for each school) were ordered for Rs 81.86 lakh to the same firm and for the same schools. Both the lots of kits were received and distributed in the schools in March 2004. Test-check, however, revealed that these kits were purchased without any specific requirement from the teachers/school Committees concerned in disregard to the guidelines of the Programme.

3.1.8.6 Payment of teachers and school grant

Payment of teachers grant and school grant was made to 214 teachers and 75 schools twice during 2002-03

As per norms, teacher grant at the rate of Rs 500 per teacher per year in primary and upper primary school and school grant of Rs 2,000 per year per primary and upper primary school was to be given under the scheme. Test-check of records of Barara-II block of Ambala district revealed that though teacher grant to 214 teachers and school grant to 75 schools aggregating to Rs 2.57 lakh were disbursed under the District Primary Education Programme during the year 2002-03, again, teacher grant and school grant amounting to Rs 2.57 lakh was disbursed to the same teachers and schools of Barara-II block during the same year under SSA programme. This overlapping payment of grant under two different programmes was noticed only in the above block.

3.1.8.7 Expenditure on the construction of building for BRCs

Rupees 23.50 lakh were spent in excess of norms on construction of 20 BRCs

As per SSA norms, expenditure on construction of one BRC building was to be restricted to Rs 6 lakh.

Test-check of records of civil works revealed that an expenditure of Rs 1.43 crore was incurred on the construction of 20 BRC buildings during 2003-05 leading to excess expenditure of Rs 23.50 lakh in comparison to norms as detailed below:

Name of districts	Number of BRCs constructed	Actual expenditure	Expenditure should have been as per norms	Excess Expenditure
		(Rupees in lakh)		
Hisar	3	23.81	18.00	5.81
Karnal	6	39.08	36.00	3.08
Rohtak	5	40.06	30.00	10.06
Ymunanagar	6	40.55	36.00	4.55
Total	**20**	**143.50**	**120.00**	**23.50**

The Project Director stated (August 2005) that reasons for excess expenditure would be intimated after ascertaining from concerned DEOs cum DPCs.

Construction of BRC/CRC building on land belonging to a *Mandir* led to unfruitful expenditure of Rs 7.76 lakh

Further, guidelines also provide that BRC/CRC should be located in or around the school campus as far as possible. In Ambala district, one BRC-cum-CRC building was constructed at Saha at a cost of Rs 7.76 lakh on the land belonging to the *Mandir* during 2003-04. The department could not take the possession of building because the *Mandir* authorities had occupied the building constructed on their land. Failure of the DPC, Ambala to ensure the transfer of title of the land before starting construction of BRC-cum-CRC building led to unfruitful expenditure of Rs 7.76 lakh.

3.1.9 Quality of educational standards and research development

3.1.9.1 Quality education not provided in schools

Quality education was not provided, as results in Education Board examinations were very poor

Results of the students of Class I to VII and that of Class VIII in selected schools in five test checked districts were as per details given below:

Name of districts	Session	Class	Pass percentage
Ambala	2002-03 to 2004-05	I to VII	89 to 91
		VIII	34 to 38
Bhiwani	2002-03 to 2004-05	I to VII	86 to 92
		VIII	43 to 79
Faridabad	2002-03 to 2004-05	I to VII	89 to 93
		VIII	15 to 29
Sirsa	2002-03 to 2004-05	I to VII	70 to 84
		VIII	61 to 74
Yamunanagar	2002-03 to 2004-05	I to VII	85 to 87
		VIII	39 to 46

The results from Class I to VII were fairly good, but the pass percentage of class VIII where the examinations were held by State School Education Board was very low and had even dipped to zero *per cent* in two schools. The poor results of Board examination leaves much to be desired about the quality of education being imparted and the system of examination in place for promotion to classes up to VIII.

Electricity is an important facility for improving quality of education. The results of SRI survey, however, revealed that only 42.8 *per cent* primary schools, 69.4 *per cent* upper primary schools and 87.6 *per cent* of high schools had electricity facility.

3.1.10 Coverage of special focus group

3.1.10.1 Distribution of free text-books

Text-books were got printed in excess of requirement

The programme provides distribution of free text-books to all focus group children i.e. all girls and SC/ST children of Government and Government aided schools both at primary and upper primary level with a unit cost of Rs 150 per child. Scrutiny of the records of five test checked districts revealed that 2,882 text-books for the session 2003-04 and 20,532 text-books for the session 2004-05 were lying in stock with Sub Divisional Education Officers, Block Education Officers and with the Headmasters of schools who attributed the reasons as excess supply of text-books and change of syllabus of class VI and VIII for the session 2004-05. Thus, text-books were got printed without assessing the actual requirement.

3.1.10.2 Innovative activity for girls' education

Drawal of funds of Rs 3.03 crore in advance of requirement led to loss of interest of Rs 9.72 lakh

Under the component 'Innovative activities for girls education' of the programme, the Parishad decided (March 2004) to provide bicycles free of cost to all such girls getting admissions in sixth class in Government schools in other villages, if no middle level Government schooling facility was available in their own villages from the session 2004-05. Accordingly the Parishad placed (March 2004) an order through Director Supplies and Disposal for the supply of 19,000 bicycles on M/s Atlas Cycles, Sonipat at Rs 1,595 per bicycle to be supplied within 60 to 90 days from the date of issue of order. Though the payment was to be made at the time of delivery of bicycles after physical verification and inspection, the Parishad got prepared Bank Drafts worth Rs 3.03 crore (Rs 15.95 lakh each for 19 districts) on 31 March 2004. The Parishad kept all these Bank Drafts with them and despatched the draft to each district only on 25 February 2005 after getting the drafts revalidated from bank. Thus, the funds remained out side the Parishad accounts for 11 months resulting in loss of interest of Rs 9.72 lakh (calculated at 3.5 *per cent* per annum).

Rupees 25.70 lakh were spent in excess of norms under girls education project

Further, the expenditure for each innovative project was to be restricted to Rs 15 lakh per year. In Ambala and Yamunanagar districts, against the provision of Rs 15 lakh under girls' education project, Rs 27.89 lakh and Rs 27.81 lakh respectively were spent during 2004-05 leading to excess expenditure of Rs 25.70 lakh in comparison to norms.

3.1.10.3 Custody of computers

Twenty one computers valuing Rs 8.13 lakh were stolen

With a view to provide computer education to the students of upper primary classes, computers along with their accessories were provided to nine schools in each district each year during 2002-2005. However, proper arrangements for the safety of computers were not made before the instalation of computers in the schools. As a result of this, 21 computers valuing Rs 8.13 lakh had since been stolen (July 2005) from different schools of the three[6] districts test checked.

3.1.11 Internal Audit

Internal audit was not introduced, though envisaged in the scheme

Manual on Financial Management and procurement stipulated that the Parishad should introduce proper internal audit system to ensure proper utilisation of funds. The internal audit of District Project Officers and sub-district units selected on a percentage basis should be conducted so as to cover all district and sub-district units atleast once in three years. Test-check of records of State Project Director, revealed that no internal audit system was introduced in the Parishad as of August 2005. The SPD of the Parishad stated (September 2005) that the internal audit could not be started as the Finance Department had not provided the adequate staff.

3.1.12 Monitoring

Ineffective monitoring

At the State level, the implementation of the scheme was to be monitored by the General Council and the Executive Committee. The General Council was required to meet twice a year to take stock of the progress of activities of the programme. The Executive Committee was required to meet quarterly to oversee the progress, issue specific guidelines/directions and lay down specific policies for the implementation of the programme. However, General Council held only 2 meetings against requirement of 6 meetings and Executive Committee held 5 meetings against 12 meetings during 2002-05. The programme was, thus, deprived of the benefit of guidelines, directions and policy inputs from the Executive Committee and General Council periodically.

3.1.13 Conclusions

The objective of the programme to bring all children in school, alternate school and back to school camp by 2005 was not achieved as 2.88 lakh (6 *per cent*) children were still out of school in the state as on 31 March 2005. The objective of increasing the coverage of special focus group (girls and SC/ST children) was also not achieved as the number of out of school girls both in general and SC category was higher as compared to boys. Despite huge investments in training of teachers and teaching learning equipment, the quality of educational standards has not improved, as the pass percentage of the students in the Board examination was below expectations. Monitoring of the programme was ineffective, as the General Council and Executive Committee did not meet periodically as stipulated, as a result, the programme was denied their valuable inputs in terms of guidelines and directions.

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[6] Faridabad, Sirsa and Yamunanagar.

3.1.14 Recommendations

For the successful implementation of SSA, the Government should consider the following measures:

- Teaching learning equipment should be identified so as to ensure optimum utilisation of funds on these items.

- Salaries of only those teachers who were appointed under SSA should be paid from SSA funds.

- An internal audit system should be introduced immediately to ensure effective financial management and achievement of programme objectives.

- General Council and Executive Committee should meet regularly at prescribed intervals to provide necessary inputs for effective implementation of the scheme.

These points were referred to Government (October 2005), reply had not been received (July 2006).

Public Works Department
(Buildings and Roads Branch)

3.2 Construction of State Highways, District Roads and Bridges

Highlights

Construction of quality roads and their maintenance is most essential for connectivity between towns/cities and vital for the success of various development schemes. Performance Audit of Construction of State Highways, District Roads and Bridges brought out weaknesses in programme implementation and execution of works. Road works were taken up without first getting the existing utilities removed such as electricity/telephone poles and trees from road alignment areas and without prior site survey/legal acquisition of land. There were cases of non-achievement of physical targets, delay in execution of works, non-levy of penalties on contractors due to non or delay in completion of works and execution of works without technical sanctions and non-collection of toll tax. Besides, there were cases of damage to roads due to improper drainage, purchase of cement at higher rates, use of lower grade bitumen for State Highways and change of road works specifications without authorisation. While substantial expenditure was incurred on improvement of roads, number of road accidents increased in the State. Arrival of agriculture produce in markets declined. Despite the fact that road length per lakh population in Haryana was lower than that of all India, due emphasis was not laid on widening the road network as construction of new roads was negligible.

- **Due to improper planning, construction of 13 roads and bridges at an estimated cost of Rs 57.04 crore were taken up during 2002-06 without getting the trees/electric poles removed/shifted from road alignment areas.**

(Paragraph 3.2.6.1)

- **There was a shortfall of 41 *per cent* during 2002-06 in achievement of physical targets for strengthening and improvement of roads under Central Road Fund scheme.**

(Paragraph 3.2.6)

- **In five divisions, completion of 11 works at an estimated cost of Rs 15.82 crore were delayed by 7 to 21 months.**

(Paragraph 3.2.6.3)

- **Delay of more than two years in collection of toll tax on Bahadurgarh-Jhajjar Road resulted in loss of Rs 14.03 crore.**

(Paragraph 3.2.7.2)

- **An avoidable extra expenditure of Rs 9.09 crore was incurred on repairs to damaged roads due to inadequate drainage system along the roadsides.**

(Paragraph 3.2.8.2)

- **Physical targets were not achieved due to deficiencies in execution of bridges and road works like taking up of works and change of specifications without approval/sanctions.**

(Paragraphs 3.2.8.3 and 3.2.8.11)

- **Contrary to EIC's directions to use 60/70-grade bitumen for all operations for State Highways, 80/100-grade bitumen was used in such works valuing Rs 7.08 crore in the test checked divisions.**

(Paragraph 3.2.8.10)

3.2.1 Introduction

Haryana with a total geographical area of 44,212 square kilometres (sq. km.) had a road network of only 5,100 km, when it was formed. This increased to 23,013[1] km as of March 2006. The success of various developmental and welfare programmes and other social services, connectivity of towns/cities is vital for which existence of good quality roads is essential. Over the years, the State has developed an industrial and trade base and, therefore, road transport demand has risen manifold. The traffic growth in the State ranges from 8 to 11 *per cent* per year for different types of vehicles.

The State Government constituted (May 1999) Haryana State Roads and Bridges Development Corporation (the Corporation) to take up projects such as roads, overbridges on Built, Operate and Transfer (BOT) basis, bye passes, improvement of roads and other activities relating to road construction on toll basis. The Corporation raised loan from Housing and Urban Development Corporation (HUDCO), New Delhi for implementation of 'Improvement/ upgradation of State Highways (Mini-upgradation) under Haryana Highways Upgradation Project' (HHUP). The Corporation released the loan amount further to Public Works Department (PWD) Buildings and Roads (B&R) as per requirement, for execution of upgradation/improvement of road works as deposit works.

3.2.2 Organisational set up

The Financial Commissioner and Principal Secretary to the Government of Haryana, PWD (B&R) is the administrative head at the Government level and is responsible for implementation of policy decisions, programmes, schemes,

[1] National Highways: 1,083 km, State Highways: 2,537 km, Major District Roads: 1,536 km and Other District Roads: 17,857 km.

etc. The Engineer-in-Chief (EIC), PWD(B&R) is the head of the department and is assisted by four Chief Engineers (CEs), one each for National Highways, Buildings, Roads and Bridges with 13 Circle Offices headed by Superintending Engineers (SEs), and 30[2] Provincial Divisions headed by Executive Engineers (EEs) who are responsible for execution of construction/maintenance works of roads and bridges at division level.

3.2.3 Scope of audit

Records relating to conception, planning and implementation of the programme pertaining to roads and bridges were test checked in the office of the EIC, PWD (B&R), the Corporation and 10[3] selected divisions. The selection of the divisions was made to ensure fair coverage of the road network in the State with due consideration to geographical conditions, road length and expenditure incurred. Test-check covered 1,904.93 km of road length (State Highways: 1,199.62 km and Major District Roads: 705.31 km) spread over in 9 districts and 10 divisions, which was 42 *per cent* of the total length of roads in the State. In addition to the above, records relating to Other District Roads (excluding rural roads constructed/improved under PMGSY and NABARD schemes) and bridges constructed by these Divisions were also test checked. Out of total expenditure of Rs 788.22 crore incurred during 2002-06, expenditure of Rs 245.40 crore (31 *per cent*) was covered in test-check.

3.2.4 Audit objectives

Audit objectives were to assess:

- Efficacy of planning;
- Management of funds and linkage with achievement of physical targets;
- The extent to which connectivity was provided and socio economic benefits attained through implementation of schemes; and
- Whether contract management ensured procurement of quality material in a most economical manner.

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[2] District Ambala (Naraingarh, Ambala Cantt. I and II), District Bhiwani (Bhiwani and Charkhi Dadri), District Faridabad (Faridabad and Palwal), District Fatehabad (Fatehabad), District Gurgaon (Gurgaon I and II), District Hisar (Hansi, Hisar I and II), District Jind (Jind and Narwana), District Jhajjar (Jhajjar), District Karnal (Karnal I and II), District Kaithal (Kaithal), District Kurukshetra (Kurukshetra I), District Mahindergarh (Narnaul), District Mewat (Nuh), District Panchkula (Panchkula), District Panipat (Panipat), District Rewari (Rewari), District Rohtak (Rohtak I), District Sonipat (Sonipat I), District Sirsa (Sirsa I and II), and District Yamunanagar (Yamunanagar).

[3] Provincial Divisions, PWD (B&R), Bhiwani, Charkhi Dadri, Fatehabad, Gurgaon-1, Hansi, Jhajjar, Kaithal, Karnal-2, Naraingarh and Sirsa-2.

3.2.5 Audit criteria

To achieve the audit objectives, following audit criteria were adopted:

- Examination of planning and site survey records;
- Land Acquisition Act and procedures adopted;
- Budget and fund management directions and procedures;
- Implementation of schemes and contract management guidelines and procedures; and
- Procurement systems.

Audit findings

3.2.6 Planning and survey

Roads constitute a key infrastructure for economic development. The State Government lays major thrust on improvement, widening and upgradation of the existing road network. Works relating to strengthening, widening and improvement of roads were funded mainly from State budget, Central Road Fund (CRF) and HUDCO loan raised by the Corporation and released to PWD for execution of works as deposit works. The details of construction of new roads, improvement, widening, strengthening, maintenance of existing roads and expenditure incurred thereagainst during 2002-06 were as under:

Head of account			**Targets**	**Achievements**	**Percentage of shortfall**	**Expenditure (Rupees in crore)**		
			(Length in kilometres)			**State highways**	**District roads**	**Total**
5054 Capital outlay on roads and bridges (State Budget)	New construction	SH & DR	276	248	10	81.73	29.94	111.67
	Improvement works		1,299	1,069	18			
Funded by HUDCO and State Government (HHUP)	Improvement, widening and strengthening works	SH	1,270	906	29	279.37	163.36	442.73
		DR	4,420	4,068	8			
Central Road Fund	Widening and strengthening	SH & DR	1,215	715	41	113.74	44.64	158.38
3054 Roads and Bridges	Roads maintenance		4,900	4,043	17	54.19	21.25	75.44
Total						**529.03**	**259.19**	**788.22**

Audit observed that though there was shortfall of 41 *per cent* in widening and strengthening of road under CRF scheme and 29 *per cent* under HHUP during 2002-06, the expenditure exceeded the provision by 12 *per cent* as discussed in paragraph 3.2.7.1.

The main reasons attributable to shortfalls in achievements were slow progress in execution of works and delay in preparing work cost estimates/floating of tenders, etc.

3.2.6.1 Works taken up without proper planning

Works worth Rs 57.04 crore taken up without getting approval from Forest Department for removal of trees

The State Government has declared roadside land as protected forests under 'The Forest Conservation Act 1980'. As such, prior approval of the Forest Department was necessary for felling/removal of trees standing in protected forest area. Besides, PWD was also to pay tree felling charges and compensatory afforestation charges to the Forest Department. In seven[4] Provincial Divisions, 13 works (***Appendix XVII***) relating to widening of roads and construction of bridges, awarded at an estimated cost of Rs 57.04 crore during 2002-05, were adversely affected as the concerned divisions did not get Forest Department's prior approval for felling of trees standing on proposed road alignments before actually taking up the works. The department took up the matter only after the works were awarded to the contractors. In eight cases, the Forest Department demanded Rs 3.06 crore from the divisions concerned for removal of trees and afforestation against which the PWD made payment amounting to Rs 2.06 crore during 2003-06. In remaining cases, the demand for funds to meet such expenses had not been received from Forest Department as of March 2006. Hence the trees could not be removed.

Besides, utilities like electric poles on such road alignments were also not got shifted due to delay or non-taking up of the matter timely with the concerned electricity supplying companies. The department also deposited Rs 41.08 lakh in five cases during the period from November 2003 to March 2006 with various Electricity Companies for shifting of electric poles, which had not been shifted so far (June 2006). Instead of providing smooth traffic facilities, the roads became accident prone. Thus, lack of co-ordination among various departments/agencies resulted in delay as well as denial of intended benefits of free flow of traffic to the public.

3.2.6.2 Work taken up without survey

Work for improvement of road taken up without surveying site conditions, delayed its completion

Before preparing detailed cost estimate for a work, proper survey of the site conditions and topography of the area of the proposed road alignment was required. In Provincial Division, Jajjhar, it was noticed that an estimate for Rs 6.77 crore was prepared and got approved for the work "Improvement of Bahadurgarh Charra Dujana Beri Kalanaur Road up to district boundary" without surveying the site conditions. The work was allotted in January 2004 to a contractor at an approximate cost of Rs 5.86 crore and was to be completed by January 2005. However, the cost estimates did not have any provision for providing and laying of Granular Sub Base (GSB) underneath G-II[5] (stone metal work) and filter media in weep holes on the road as the area was flood prone. Later on, to cover this omission, another estimate for Rs 66.65 lakh was got approved (March 2004) for this item of work, which was got executed at a cost of Rs 48.28 lakh during 2004-05. Thus, non-conducting of site survey led to non- inclusion of the work item 'laying of GSB' in the original cost estimates and thereby delayed

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[4] Provincial Divisions: Fatehabad, Gurgaon, Jhajjar, Kaithal, Karnal, Naraingarh and Sirsa.

[5] G-II (Grade-II) represents work of stone metal generally of 53 to 22.4 mm size.

the execution of original work which was still in progress and Rs 5.37 crore had been spent (March 2006).

3.2.6.3 Delay in completion of works

There was delay in completion of works upto 21 months in test checked cases

Time frame prescribed for completion of any work is the essence of a contract. Contractors are required to adhere strictly to the time schedule. Progress of the work should be commensurate with the time allotment.

During audit, it was noticed that in 5[6] divisions, 11 road construction works, of which 5 completed and 6 were in progress, involving an estimated cost of Rs 15.82 crore were delayed by 7 to 21 months (***Appendix XVIII***). The concerned EEs or higher competent authorities allowed time extensions usually on the grounds of non-availability of labour due to harvesting season, non-carrying out of bitumenous work in winter season, non-removal of encroachments on some portion of land in villages, change in scope of work, shortage of material, etc.

Reasons like labour not available due to harvesting season and non-carrying out of bitumenous work in winter season were, however, foreseeable and could have been taken into account by the contractors at the time of entering into agreements with the Department. As regards land encroachment and shortage of material, timely steps should have been taken by the divisions before awarding the works. Liquidated damages in six cases were also not levied as brought out in paragraph 3.2.8.3. The delay in completion of works resulted in corresponding delay in providing smooth traffic facility to the public.

3.2.6.4 Construction of roads without acquisition of land

Construction of roads without acquisition of land led to payment of compensation at higher rates

As laid down in para 2.92 of Public Works Department Code, no work should be commenced on land, which has not been duly taken over by the department through responsible civil officers. In Provincial Division, Bhiwani, an amount of Rs 86.76 lakh was paid to the land owners in July 2005 for their land taken by the department for the roads from" Rupan to Khera" and "Siwani to Talwandi Badshahpur" which were constructed about 26-30 years ago. The payment was made consequent to the decision of the Civil Judge, Bhiwani in May 1998 on petitions filed by the land owners. The department did not go in for any appeal in the higher court. In order to execute the judgment of the Civil Judge the land was acquired in July 2005 through land awards No. IB&2B of 2005 for Rs 17.62 lakh and Rs 69.14 lakh respectively. Thus, the roads were constructed in contravention of land acquisition rules, without acquiring land. Non-initiating of the land acquisition proceedings, even after the Judgment of the court in May 1998, had resulted in avoidable additional financial burden on the State Exchequer as the award was made on the basis of land compensation rates prevalent in the year 2005 instead of in the year 1998. In absence of details, the exact amount of additional financial burden could not be computed in audit.

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6 Provincial Divisions (B&R), Fatehabad, Hansi, Jhajjar, Kaithal, and Sirsa II.

Similarly, four[7] roads were constructed long back in Provincial Division, Charkhi Dadri, but the land for these roads had not been acquired formally till date (March 2006) as required under Land Acquisition Act. Proceedings under Sections 4 and 6 of the Land Acquisition Act for acquisition of land were under process as of March 2006.

Failure to observe the provision of the Land Acquisition Act, may lead to avoidable litigations and also entail extra expenditure towards increased rates of land compensations at a later stage.

3.2.6.5 Commencement of works without acquiring complete stretch of land

During test-check of records, it was noticed that in five Provincial divisions, 18 roads as per details given in ***Appendix XIX*** were left incomplete with missing links (unconstructed portions) due to non- acquisition of land in certain portions with the result that the objective of providing connectivity through smooth flow of traffic between two destinations could not be achieved. Thus, the roads constructed at a cost of Rs 2.37 crore were not put to proper/effective traffic use.

3.2.6.6 Surplus land not disposed off

As per Haryana Government instructions (May 2001), the surplus land, which cannot be transferred for use by other Departments, Boards, Corporations, should be disposed off in the market through open auction.

Provincial Division No. 1, Gurgaon acquired 0.36 acre land of a farmer in Sohna village in Gurgaon District for construction of road 'Sohna to Daula'. The land was acquired in the year 1986 at a cost of Rs 1.86 lakh after observing legal formalities. Due to change of road alignment, another piece of land of the same villager was acquired at a cost of Rs 0.95 lakh and the road was constructed on this piece of land. The land measuring 0.36 acre acquired initially in the year 1986 thus became surplus and was lying unused with the department. The department had not initiated any effective steps to dispose off the land at market rate as of June 2006.

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Sr. No.	Name of road	Month of administrative approval	Area (In acre)
1	Road from Dadri Bond road to village Kamod	August 1969	0.14
2	Road from Norangabas to Mai Kalan	April 1985	2.74
3	Road from Bhandwa to Arya Nagar	October 1971	1.81
4	Road from Kishan Pura Middle School Khorra	November 1993.	0.41
	Total		**5.10**

3.2.7 Financial management

3.2.7.1 Financial outlay and expenditure

Main sources for funding the construction and improvement of roads and bridges were State Government budget, Central Road Fund (CRF) and loan obtained by the Corporation from HUDCO on the guarantee of the State Government. Loans raised by Corporation were further released to PWD which executed the road works as deposit works.

Improvement works for State Highways identified under Haryana Highways Upgradation Project were funded jointly by the Corporation (by raising loan[8] from HUDCO) and the State Government in the ratio of 80:20. The Government makes provision in the State Budget taking into account the amount of loan deposited by Corporation with the department.

Against the allocations of Rs 702.64 crore (Rs 547.73 crore through annual budgets of the State Government and Rs 154.91 crore due under CRF scheme) made for construction, improvement and maintenance of road works during 2002-06, actual expenditure was Rs 788.22 crore which was in excess over the grant by 12 *per cent*.

Further, Rs 14.19 crore were spent against the final budget provision of Rs 14.03 crore for construction/ special repair of bridges on State Highways and District Roads during 2002-06.

For construction of bridges, original budget provision of Rs 17 crore was reduced to Rs 7.18 crore during 2002-05 through re-appropriations by the State Government against which only Rs 0.33 crore were utilised as construction of three new bridges at Rewari, Palwal and Ganaur was not taken up. During 2005-06, Rs 13.86 crore were spent against final grant of Rs 6.85 crore. Reasons for excess expenditure over final grant were neither on record nor furnished by the department.

3.2.7.2 Loss due to non-collection of toll tax

Haryana Government declared (September 2003) Bahadurgarh-Jhajjar Road (State Highway No. 22) as toll road. Toll tax was to be collected by the Corporation either themselves or through contractors. A test-check of records of Provincial Division, Jhajjar revealed that collection of toll tax had not been started till March 2006.

Loss of Rs 14.03 crore due to non-collection of toll tax

The Sub-Divisional Engineer/staff deployed at toll plaza intimated the EE, Provincial Division, Jhajjar that vehicle owners were not ready to pay toll tax and sought police help at toll plaza to ensure tax collection. Though the EE concerned pursued the matter with the district administration and the Superintending Engineer, Rohtak circle, the police arrangements could not be made. The Corporation issued instructions (January 2006) that the divisions should refrain from taking police help on regular payment basis. Tax

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[8] During 2000-06, the Corporation raised loan of Rs 268.25 crore from HUDCO for State Highways, of which Rs 264.04 crore were released to Engineer-in-Chief, Public Works Department (Buildings and Roads Branch), Haryana.

collection at this barrier which was estimated to be about Rs 11.23 crore in 2003-05 as approved, had however, not been started so far (June 2006), as a result toll tax to the extent of Rs 14.03 crore[9] (October 2003 to March 2006) could not be collected.

3.2.7.3. Deployment of PWD staff for collection of toll tax

Rs 1.04 crore towards salary of PWD staff deployed for collection of toll tax on behalf of the Corporation was not claimed

Government decided to levy toll tax at 32 notified points in the State for repayment of loan raised by the Corporation for improvement of roads and bridges. The toll tax was to be collected by the Corporation through contractors. Audit observed that during the period of renewal of contract, etc., the departmental staff of PWD (B&R) was deployed intermittently for collection of toll tax and was paid Rs 1.04 crore as pay and allowances during 2002-06. Since toll collection was the responsibility of the Corporation as the same was being credited to their account, the expenditure on salary of departmental staff deployed for collection of toll tax should also have been born by the Corporation. Besides, the divisions incurred expenditure on construction of toll barriers, printing of toll tickets and travelling expenses of the staff deployed on toll collection duty. However, neither the Department raised any claim on this account nor the Corporation paid to the Department.

3.2.8 Implementation of contracts and execution of works

3.2.8.1 Deficient agreements

The terms of a contract should be precise and definite. There should be no room left for ambiguity or misconstruction therein. During test-check of records, it was noticed that the agreements with the contractors were executed on the basis of estimated costs worked out in DNIT despite the fact that estimated costs of the project, based on contractors' offered rates, were available with the divisions and could have been mentioned in agreement. Payment to the contractors against their bills were restricted to the amounts mentioned in the agreements till the approvals of higher competent authority were obtained for the extra cost of works i.e. over and above the agreement amount, due to contractors' quoted rates being higher than the departmental rates. Test checked cases of this type are brought out in ***Appendix XX***. Such defective agreements lead to delay in settlement of contractors' bills thereby providing an excuse to the contractors to leave the works incomplete.

3.2.8.2 Inadequate drainage system causing damage to the roads

Inadequate drainage system led to additional expenditure of Rs 9.09 crore

During test-check of records in Bhiwani, Hansi and Kaithal Divisions, it was noticed that six roads were improved/reconstructed without making adequate provision for raising of roads, drainage for accumulated water, etc. with the result the rain water and waste water from the adjacent places penetrated into metalled portion of roads from the sides stripping off bitumenous layers, causing heavy damage to the roads. The surface became slushy with numerous undulations on the riding surface leading to settling of the roads at

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[9] Rs 14.03 crore worked out on proportionate basis.

many parts. This necessitated framing of new special repair estimates of Rs 8.62 crore and maintenance estimates of Rs 0.47 crore ***(Appendix XXI)***.

Further, despite huge damages to the roads in these districts, the department had neither made any provision for cross drainage nor any design consultancy was sought from any consultant to prevent such damages.

3.2.8.3 Liquidated damages not levied

Where a contractual agency failed to complete the work in accordance with the prescribed time schedule, penal action i.e. levy of liquidated damages under clause 2 of the contract agreement was required to be taken against the contractor. It was, however, noticed that in the cases discussed below, liquidated damages were not levied or recovered:

The divisions concerned did not levy liquidated damages of Rs 46.24 lakh

- In two cases (Sr. No. 6 and 10 of ***Appendix XVIII***), the department did not levy liquidated damages of Rs 13.79 lakh for the delay in completion of works. Instead allowed time extension on the grounds like shortage of labour in crop season, shortage of bricks and dismantling of old open type drain, etc. which do not qualify for extension of time. These facts could have been foreseen as these were already in the knowledge of the department as well as the contractor at the time of entering into the contract. Similarly, in another four cases (Sr. No. 1 to 4 of ***Appendix XVIII***) though the department did not grant extension of time, liquidated damages amounting to Rs 32.45 lakh (i.e. maximum upto 10 *per cent* of the estimated cost) were also not levied.

Irregular time extension led to liquidated damages of Rs 1.07 crore not being levied

- The EIC allotted the work 'Periodic maintenance of Budhlada-Ratia-Fatehabad-Bhattu-Bhadra Road (67.51 km) to an Ahmedabad based firm in December 2000 at a contract price of Rs 10.74 crore with the condition to reach milestone-1 i.e. up to 37 km by 10 August 2001 and the entire work by 10 December 2001. Liquidated damages were to be levied for not adhering to time schedule for milestone-I at Rs 0.78 lakh per day and for whole work at Rs 1.17 lakh per day subject to a maximum of 10 *per cent* of contract price.

The firm failed to complete the work within stipulated period. The EIC granted extension in time upto 25 December 2001 for milestone-I and upto 31 March 2002 for the entire work on the grounds of not handing over complete site in time to the contractor, earthquake in Gujarat, non-availability of labour due to harvesting season, delay in payment of mobilisation advance, etc. The firm failed to complete the work even upto extended period and sought extension for milestone-I upto 15 May 2002 and for the whole work upto 31 July 2002 on 12 different grounds including the ones on which extension was sought earlier also. The EIC granted extension, although six reasons were not found justifiable by the division/circle. The work was completed by 31 July 2002. Second extension was not justifiable as weather conditions, labour shortage during harvesting seasons, etc. were not unforeseeable events. Thus, due to unjustifiable extension, liquidated damages of Rs 1.07 crore (10 *per cent* of contract price) could not be recovered from the firm.

- The EIC entered into an agreement with a contractor in June 2004 for construction of two lane bridge on Western Jamuna Canal in km 20 of Karnal-

Ramba-Indri-Ladwa road at Indri town in Karnal district at an estimated cost of Rs 3.73 crore. The work which was to be completed by 20 April 2005 was executed by Provincial Division–I, Karnal. As per the agreement, the bidder was to take into account generally free flowing canal water conditions in order to arrive at bid price and the methodology of construction in such a manner that the canal regime width was not blocked to obstruct free flow of canal water and any extension of time was not allowable on this account.

As the contractor could complete only 70 *per cent* of the work by May 2006, the EE recommended to the SE, Karnal Circle for suitable action against the contractor in December 2005. However, SE failed to take any decision as of June 2006, as a result of which penalty of Rs 37.33 lakh (10 *per cent* of contract agreement) could not be levied so far.

Liquidated damages of Rs 30 lakh not levied despite slow progress of work

- The State Government entered into an agreement with a Mumbai based firm in September 2002 for construction of additional two lane road overbridge at level crossing No. 95-B on Delhi-Ambala Rail line at Kurukshetra, with private financing and toll rights on BOT basis at an estimated cost of Rs 13.86 crore. The construction was required to be completed by 9 April 2004. The firm was authorised to collect toll and retain the amount during the concession period from 10 January 2003 to 25 November 2010. Further, in case of failure in achieving the required progress work and in opening the road to traffic within prescribed time limit, the contractor was to pay liquidated damages at the rate of 0.5 *per cent* of the project cost per month, subject to maximum upto security deposit amount of Rs 30 lakh. Though the work was still incomplete as of June 2006, the department had not levied liquidated damages even though the EE had recommended (June/July 2004) penalty to the SE.

The Superintending Engineer unauthorisedly deferred the recovery of liquidated damages of Rs 1.26 crore

- The contractual agencies failed to complete the work within the stipulated period in two cases in Provincial Division-II, Sirsa and Fatehabad. Therefore, the concerned EEs invoked provisions of clause 2 of the contract agreement by levying liquidated damages of Rs 1.26 crore, but the recovery of this amount was deferred by the concerned SEs up to March 2006 though he was not competent to defer the recovery as per clause II of the agreement. The contractor has not completed the work even up to June 2006. Thus, deferment of penalty by SE was unauthorized and irregular. Neither the works had been completed nor recoveries made from the contractors as of June 2006.

3.2.8.4 Execution of works without technical sanctions

Para 2.89 of the PWD Code provides that before the commencement of works, detailed cost estimates should be technically sanctioned by the competent authority after satisfying that the proposals are structurally sound and estimates are correct. Test-check of records revealed that eight[10] divisions spent Rs 89.75 crore[10] against 23[10] road improvement works during 2002-06 without getting the estimates technically sanctioned, which was irregular.

[10] Provincial Divisions, PWD (B&R), Bhiwani (3 works): Rs 20.82 crore; Charkhi Dadri (1 work): Rs 1.10 crore; Fatehabad (4 works): Rs 19.24 crore; Hansi (1 work): Rs 5.62 crore; Jhajjar (7 works): Rs 22.53 crore; Kaithal (3 works): Rs 13.27 crore; Karnal (2 works): Rs 6.11 crore and Sirsa (2 works): Rs 1.06 crore.

Thus, these works were taken up by the EEs without ensuring soundness of structures and correctness of estimates. Obtaining technical sanction at this stage would be merely a formality rather than serving the intended purpose.

3.2.8.5 Paved shoulders on both sides on State Highways not constructed

As per specifications for improvement (mini upgradation) of State Highways indicated in the project report (September 1999) for raising loan from HUDCO, one metre wide paved shoulders on each side of the State Highways (793.42 km during phase III and IV) were required to be constructed to protect the metalled portion of the roads from penetration of rain water from road sides and to serve as footpath for the public. Test-check of the records of the divisions revealed that neither any provision for paved shoulders was made in the work estimates nor the same were actually constructed though provided in HHU project report, as a result of which not only the public was deprived of the facility of good footpaths on road sides but also has the possibility of seepage of rainwater from the sides of metalled portion of roads. Reasons for non-construction of paved shoulders were neither available on record nor intimated by the department.

3.2.8.6 Contractor not allowed to start the work

To increase Inter-State freight transport between Haryana and Rajasthan, metalled width of the 'Hansi-Tosham-Behal-Sodiwas road' was proposed to be widened to seven metres by the Bhiwani and Charkhi Dadri Divisions.

Government accorded administrative approval (October 2004) for Rs 17.76 crore and accordingly tenders were invited in two parts from km 138.40 to 178.50 (estimated cost Rs 9.99 crore) by Bhiwani Division and from km 178.50 to 201.900 (estimated cost Rs 6.12 crore) by Charkhi Dadri Division and the works were allotted to the same contractor in April 2005 and July 2005 respectively.

The contractor, however, was not allowed to start work as per Financial Commissioner and Principal Secretary's verbal orders (orders brought on record in September 2005). Apprehending legal complications, the Engineer-in-Chief proposed (October 2005) to the Financial Commissioner to allow them to start the work but no reply was found on record. Validity of both the contract agreements expired in January 2006. The agreements were also not terminated.

As the work could not be started, the contractor claimed (January 2006) refund of earnest money (Rs 12.24 lakh) with 15 *per cent* interest and an additional amount equivalent to 10 *per cent* of the agreement amount towards contractor's profit from Provincial Division, Charkhi Dadri. Possibility of similar claims in Bhiwani division could also not be ruled out. The work has not been awarded to any other contractor so far. As the width of this road was not widened, the purpose of providing Inter-State freight transport facility was not achieved.

The EE, Provincial Division, Charkhi Dadri replied (March 2006) that matter had been referred to higher authorities and final decision would be intimated in due course.

3.2.8.7 Delay in starting Bridge construction work

The bridge on Hansi branch canal crossing (RD 18.5) on Kond-Munak-Salwan-Assandh road constructed by Irrigation Department, being old, was completely damaged, as a result of which the traffic was diverted to other village roads from November 2004.

In May 2005, the Government decided that the bridge would be constructed by PWD (B&R). Accordingly, rough cost estimate was administratively approved by Government in August 2005 for Rs 1.31 crore. After three months of the approval, the EE, Provincial Division-II, Karnal awarded (November 2005) the work for preparation and presentation of a project report including survey and investigation to a Delhi based private consultant at a cost of Rs 4.99 lakh. Though the Project Report was to be received within three months, it had not been received from the consultants so far (June 2006). Despite the Government's direction (23 March 2005), the work had not been taken up as of June 2006. Non-taking up the bridge work resulted in diversion of heavy traffic to rural roads causing damages as rural roads were not strong enough to bear the load of heavy traffic of refinery and bottling point located at Panipat. Besides, proper connectivity between towns and villages of both sides of Hansi branch canal could not be provided.

3.2.8.8 Termination of consultancy service midway

The EE, Provincial Division-I, PWD (B&R), Gurgaon appointed a Delhi based consultant in December 2003 for providing consultancy service for construction of elevated Highway on Gurgaon Mehrauli Road at Sikandarpur Chowk to facilitate free uninterrupted flow of traffic and for evolving urban transportation plan for the surrounding areas at an agreed cost of Rs 25.03 lakh (including service tax). The consultant was to complete the job within 3½ months i.e. up to 31 March 2004 and payments were to be released in five instalments.

Based on the decision taken in August 2004 at a Committee Meeting under the Chairmanship of the Principal Secretary to the Chief Minister, the EE terminated the agreement in October 2004 without assigning any reasons. Till then the consultant had covered first two stages for which Rs 6.99 lakh (January 2004: Rs 2.33 lakh and March 2004: Rs 4.66 lakh) were paid to him. Since, the agreement was terminated and the consultant did not submit final detailed project report, the expenditure incurred for the first two stages of the consultancy job was rendered unfruitful.

3.2.8.9 Cost of removing defects in road work not recovered from contractor

Rupees 16.68 lakh towards cost of removing defects in road works was not recovered from the contractor

In Provincial Division, Hansi, the work for periodical maintenance of Jind-Mundhal-Bhiwani Road was allotted (July 2002) to an Ahmedabad based firm which was damaged at various reaches even before the work was completed. The division asked the agency to remove the defects but the agency did not do so. To keep the road traffic-worthy, the division got the repairs done departmentally at a cost of Rs 16.68 lakh. It was made clear in April 2004 by the Superintending Engineer, Hisar Circle that during discussion in March 2004, the agency had shown unwillingness to repair the road but promised to pay the cost of repair work from their pending dues. The SE also called for (June 2004) the details of repair expenses from the division but no further correspondence was available on record. Final bill of the agency (bill No. 11 for Rs 83.44 lakh) was paid in September 2004 without deducting Rs 16.68 lakh incurred by the division on repair of damaged road. No specific reasons/orders of the competent authority were found on record for non-deduction of the amount.

3.2.8.10 Use of lower grade bitumen in State Highways works

The EIC, PWD (B&R), Haryana issued (February 2002) instructions that 80/100 grade bitumen was to be used for construction/repair works of village roads while 60/70 grade bitumen was to be used in all its operations for National/State Highways. Contrary to these instructions, it was noticed that in 3 divisions (Bhiwani, Fatehabad and Hansi), 80/100 bitumen had been provided in the DNIT/Agreements for State Highways works. Bitumenous works valuing Rs 7.08 crore (***Appendix XXII***) were, therefore, taken up with lower grade bitumen in violation of departmental instructions which is likely to affect the crust strength of the roads over a period.

3.2.8.11 Unauthorised change in specifications

In Provincial Division, Naraingarh, the work of periodic maintenance of Sadhora-Naraingarh-Raipur Rani-Mouli Road (length 38 km) was awarded (August 2002) to a Delhi based contractor for Rs 7.50 crore with intended date of completion as 15 September 2003. The work of Semi Dense Bituminous Concrete (SDBC) on prepared surface (approximate cost Rs 1.80 crore) was to be carried out with Crumb Rubber Modified Bitumen (CRMB) content. However, the Chief Engineer (HHUP) allowed (through verbal orders) the use of 60/70 grade bitumen instead of CRMB. The Engineer-in-Chief did not approve the change of specification and matter was under investigation. Thus, the work was not carried out in accordance with the prescribed specifications and the desired road crust strength could not be achieved. The Executive Engineer concerned intimated that the final decision had not been received (June 2006).

3.2.9 Procurement of material

3.2.9.1 Loss due to failure to include sales tax clause in the contract document

Loss of revenue of Rs 42.32 lakh due to failure to include sales tax clause in the contract document

Under the provisions of Haryana General Sales Tax Act 1973, sales tax on bitumen was leviable at the rate of 10 *per cent*. In a meeting of Superintending Engineers and Executive Engineers held in August 2001 under the Chairmanship of the Financial Commissioner and Secretary to Government of Haryana, PWD (B&R) Department, it was decided that where the contractors were arranging bitumen at their own level and were paying sales tax at the rate of four *per cent*, the difference of six *per cent* would be recovered from their bills. It was also decided that it would be made clear to the contractor in advance and every tender case was to be supported with such undertaking from the concerned agency/contractor.

It was noticed during test-check that in Provincial Divisions, Kaithal and Karnal, the agencies/contractors purchased 5,190.57 MT bitumen during 2002-05 and paid sales tax at the rate of four *per cent* in case of three[11] works but the department failed to recover the difference of six *per cent* as no such clause for recovery was inserted in the contract agreements/allotment letters of the contractors concerned. This not only led to weak contract management but also caused financial loss of Rs 42.32 lakh to the Government.

3.2.9.2 Supply of portland pozzolona cement instead of ordinary portland cement

Cement worth Rs 23.57 lakh was accepted which was not as per specifications

The Department was using ordinary portland cement for construction of cement concrete (CC) roads. As portland pozzolona cement (PPZ) contains thermal ash content, its use had not been allowed for works executed by PWD. Entire requirement of cement was purchased through the Director, Supplies and Disposals (DS&D), Haryana. The supply orders placed by the Director, DS&D in July 2004 with the supplier agency were for 43 Grade ordinary portland cement (OPC).

It was noticed during audit that, M/s Birla Cement Corporation supplied 19,320 bags (966 MT) of PPZ (which had thermal ash content) valuing Rs 23.57 lakh during September-December 2005 to Provincial Division, Jhajjar instead of Ordinary Portland Cement ordered by the department. The cement was accepted by the division concerned in violation of the terms and conditions of supply order.

3.2.9.3 Purchase of cement at higher rates

Extra expenditure of Rs 19.37 lakh incurred on Purchase of cement at higher rates

The Director, Supplies and Disposals, Haryana, placed orders for supply of 43 grade OPC with M/S Birla Cement Corporation on 15 July 2004 and subsequent supply orders at a rate of Rs 122 per bag. As specified in this

[11] Provincial Division, PWD (B&R), Kaithal: (i) Periodical maintenance of Kaithal-Patiala road (Rs 22.59 lakh); (ii) Maintenance of Kaithal-Khanauri road: (Rs 3.52 lakh). Provincial Division, PWD (B&R), Karnal: (iii) Periodical maintenance of Karnal-Ladwa-Shahbad road (Rs 16.21 lakh).

general supply order, PWD divisions concerned were required to place supply orders with the firm supported with photocopy of bank drafts towards 100 *per cent* cost of cement ordered. The initial rate contract was valid up to 31 July 2005 (extended to November 2005 in September 2005). Expecting escalation in cement rates, the EIC, PWD (B&R) in July 2005, directed all the SEs to send bank drafts for maximum quantity of cement to the firm to secure supply of balance quantity of cement. However, the divisions prepared bank drafts and sent their photo-copies for the supply of 44,246.40 MT cement against the allocated quantity of 53,468 MT i.e. short by 9221.60 MT upto November 2005. Resultantly, the department had to purchase cement at higher rates i.e. Rs 132.50 to 136.00 per bag during the period from July to November 2005 from other suppliers. The department could have saved Rs 19.37 lakh (on 9,221.60 MT), had they placed supply orders for the entire allocated quantity against earlier supply orders placed with the firm.

3.2.10 Impact assessment

Haryana is a predominantly agrarian economy. A reliable system of roads is, therefore, essential for its socio-economic growth. The accessibility to various service institutions/areas is, therefore, vital. Haryana had road length of 133.4 kms per lakh population and 63.8 kms per 100 square km area in the year 2001-02 which was far less than that of all India (238.8 kms per lakh population and 77.6 kms per 100 square kms area) and adjoining State of Punjab (252.6 kms per lakh population and 122.2 kms per 100 square kms area). The department constructed new roads over a length of only 248 kms during 2002-06. However, despite spending huge funds, metalled road length per lakh population decreased to 108 kms in 2004-05 from 109 kms in 2001-02. Thus, there was much scope for construction of new roads in the State. Further, there was a declining trend in arrival of agriculture produce in markets during the period 2001-05. It was noticed that 108.41 lakh tonnes agriculture produce arrived in markets in the year 2004-05 as compared to 118.82 lakh tonnes in 2001-02 i.e. decrease by nine *per cent*.

During 2001-02, 7,419 road accidents occurred, involving 8,417 vehicles due to which 2,636 persons were killed. However, in 2004-05 the number of road accidents increased to 9,502, involving 10,698 vehicles, as a result of which 3,415 persons were killed. Thus, the objective of providing safe and smooth riding facility through good quality roads was not achieved.

3.2.11 Conclusions

The main objectives of construction, improvement of State Highways, district roads and bridges were to provide connectivity between various towns/cities and smooth/free flow of traffic. Though connectivity between towns/cities in the State had improved considerably, the objective of good quality roads was not fully achieved.

There were deficiencies in plan formulations such as taking up of works without getting clearance from Forest Department, without site survey and legal acquisition of land. The works also got delayed due to delay in procurement of material and removal of encroachment on land, etc.

There were cases of damage to roads due to improper drainage system, non-levy of liquidated damages on contractors for delay/non-completion of works, execution of works without technical sanctions, etc. Further, there were cases where lower grade bitumen was used for State Highways works and specifications for road works were changed without requisite authorisation affecting the quality of roads. There were cases of loss of revenue due to non collection of toll tax on Bahadurgarh-Jhajjar road and non-inclusion of sales tax clause in the contract document. Instances also came to notice of procurement of cement at higher rates and acceptance of cement which was not as per specifications indicating flaws in the procurement system.

Lack of good quality roads affected arrival of agriculture produce in markets which showed a declining trend during 2002-05 in comparison to 2001-02. Besides, road accidents had been increasing every year. Construction of new roads was not given due consideration despite decrease in length of roads per lakh population which was lower than all India figures.

3.2.12 Recommendations

Based on this Performance Audit, the following recommendations are made:

- The planning process should be strengthened to take into account inputs like land acquisition issues and clearances from relevant departments before commencement of works;
- It should be ensured that quality of material and works specifications are not changed without requisite authorisation to ensure that quality of roads are not affected;
- Government should follow the procedure prescribed in the Land Acquisition Act, 1894 for acquisition of complete stretch of land before taking up the works to avoid missing links and incurring extra expenditure;
- A system should be put in place to ensure collection of toll tax at toll barriers; and
- The department should enforce the contractual provisions in regard to levy of liquidated damages strictly besides evolving a system to examine reasons for delay in completion of works and ensure that unwarranted extensions are not granted.

These points were demi-officially referred to the Financial Commissioner and Principal Secretary to Government Haryana, Public Works Department (Buildings and Roads Branch) in July 2006; reply had not been received (July 2006).

Revenue Department
(Mewat Development Agency)

3.3 Working of Mewat Development Agency

Highlights

Mewat Development Agency (MDA) was established with the objective to bring about improvement in economic and social conditions of the people of Mewat area through implementation of schemes/programmes formulated by Mewat Development Board. A review study of activities of MDA brought out significant weaknesses in planning, financial management and implementation of various schemes/programmes. There were cases of schemes taken up without proper survey, delays in completion of works, abandonment of schemes midway, diversion of funds, wasteful expenditure on partial implementation of schemes and non-utilisation of assets. There was hardly any improvement in the development of education and health sector as women literacy rate was low, drinking water supply and health infrastructure continued to be inadequate. The programme/schemes were neither monitored properly nor was the extent of impact on social and economic status of the people in Mewat area evaluated.

- **The Board failed to recover beneficiaries share of Rs 2.20 crore in the absence of a policy.**

(Paragraph 3.3.5.1)

- **An expenditure of Rs 2.82 crore was incurred on running of schools which were neither recognised by the Education Department nor affiliated to any School Education Board.**

(Paragraph 3.3.7.3)

- **Failure to complete civil works within the prescribed time frame deprived the State Government of the benefit of assistance of Rs 3.75 crore from International Fund for Agriculture Development.**

(Paragraph 3.3.7.1)

- **Of the 637 hectare land reclaimed at a cost of Rs 50.79 lakh, only 27 hectare land had been handed over to landless farmers on lease basis and balance 610 hectare had not been handed over as of June 2006.**

(Paragraph 3.3.8.1)

- **Women literacy rate in Mewat ranged between 15.02 and 34.55 *per cent* which was very low in comparison to 55.7 *per cent* at State level during 2004-05.**

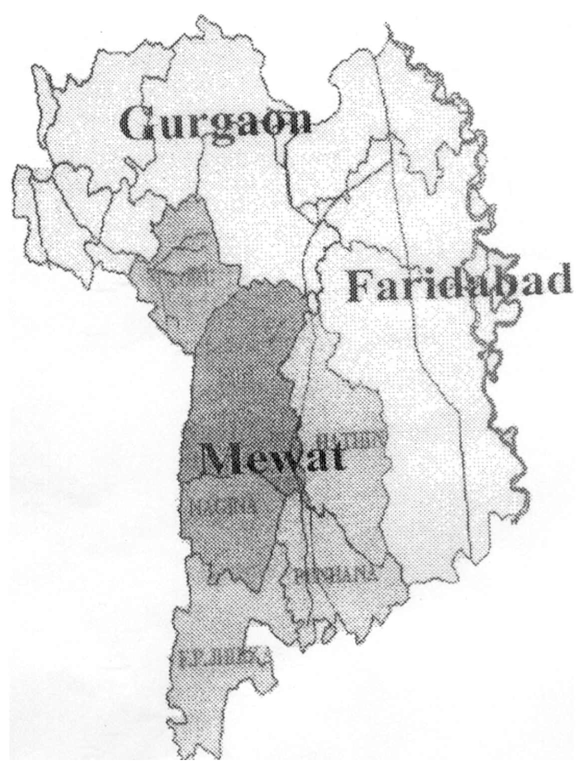
(Paragraph 3.3.9.2)

- **Mewat Development Agency had never got implementation of the schemes evaluated to assess the extent of improvement brought about in the economic status and social well being of the people of the area.**

(Paragraph 3.3.11)

3.3.1 Introduction

The Mewat area has an uneven topography of plain and undulated patches of land dotted with hills and hillocks of Aravali mountain range. Mewat is predominantly rural in its demography, covering an area of 1,874 sq km. The population of nearly 10.21 lakh people inhabit 491 villages and five towns of six blocks comprising Ferozpur Zhirka, Nagina, Tauru, Nuh and Punhana blocks of Gurgaon district and Hathin block of Faridabad district. The main occupation of the people is agriculture or agro-based activities. Mewat has remained a region of backwardness even after independence. The area lags behind the rest of Haryana on almost every yardstick of development indices. As per 2001 census, women literacy rate in Mewat area was 24.26 *per cent* (2.13 *per cent* for Meo women) in comparison to State's literacy rate of 49.77 *per cent*. Further, infant mortality rate in rural areas in Gurgaon district (including five blocks of Mewat area) was 14.7 per thousand while it was 9.8 per thousand for the State. In Health Sector, Mewat area had an infrastructure of 4 Community Health Centres (CHCs), 15 Primary Health Centres (PHCs) and 76 Sub-Centres at the beginning of 2001-02 which did not undergo any expansion/development till 2005-06.



For the development of Mewat area, State Government constituted Mewat Development Board (The Board) in January 1980. From April 2005, the State Government carved out a new district namely Mewat district comprising of all these six blocks. The Board functioned under the Chairmanship of the Chief Minister and was responsible for making policies, formulation and review of implementation of various developmental schemes in the area. Mainly the schemes relating to soil and water conservation, irrigation, training in off farm activities, education, rural water supply, community development, etc. were being implemented. Mewat Development Agency (MDA) was established (January 1980) for implementing schemes/programmes approved by the Board and to keep a watchful eye on their progress at field level regularly.

The objectives of MDA were to improve the economic status and social well being of people of the area; promote greater self-reliance on sustainable basis; and broaden the availability of the economic opportunities to the people of the area.

3.3.2 Organisational set up

The Board is an apex body functioning under the Chairmanship of the Chief Minister which has overall charge of policy making, formulation and review of various special developmental and welfare schemes in the area.

Mewat Development Agency is an implementing body of the programmes/ schemes approved by the Board. The Chief Executive Officer (CEO), MDA is head of the office, who is assisted by one Project Officer, one Project Economist, one Accounts Officer and 22 Ministerial and other staff. Execution and developmental works/activities were being carried out by the line departments and non-Government agencies. The composition of the Board and MDA is indicated as follows.

Mewat Development Board

Chairman (Chief Minister)

Twenty five members (7 Ministers, 1 MP belonging to Faridabad Constituency, 1 MLA, Chief Secretary, 4 Financial Commissioners, Principal Secretary to CM, 3 Commissioner-cum-Secretaries, Commissioner, Gurgaon Division, DCs-Gurgaon and Faridabad and 4 other members)

Mewat Development Agency

Chairman (Commissioner, Gurgaon Division, Gurgaon)

2 Vice -Chairmen (Deputy Commissioners, Gurgaon and Faridabad)
2 Additional Deputy Commissioners (ADCs)

11 Members (1 CEO, 2 ADCs Gurgaon and Faridabad), 2 Financial Commissioners to Government of Haryana (Revenue and Finance Department) and 6 Peoples' representatives.

11 Special Invitees (2 Superintending Engineers, 3 Sub-Divisional Officers, 2 Deputy Directors, Divisional Soil Conservation Officer, District Horticulture Officer, District Education Officer and Civil Surgeon, Gurgaon.

3.3.3 Audit objectives

The review of the working of MDA was undertaken for assessing the extent of development brought about in Mewat area. For this purpose, the following audit objectives were adopted to assess:

- Efficacy of planning for various development programmes/schemes;
- Utilisation of funds as per approved plans;
- The efficacy in implementation of schemes;

- Utilisation and maintenance of infrastructure created;
- The extent of improvement in sectors such as women and child health care, female literacy and availability of drinking water; and
- Evaluation and monitoring system.

3.3.4 Audit methodology

Out of total expenditure of Rs 82.40 crore incurred during 2001-06 (civil works Rs 30.36 crore and other components Rs 52.04 crore), records for expenditure of Rs 52.44 crore (64 *per cent*) were test checked in detail in the offices of MDA, Nuh, Public Health Divisions, Nuh and Sohna and Water Services Division, Gurgaon during January to June 2006.

Besides, the records relating to planning, survey, setting up of targets and achievements thereagainst, financial management, utilisation of created assets, impact on upliftment in standard of living, internal control system, etc. were also test checked.

Before taking up the performance audit, a meeting was held in January 2006 with the Chairman and CEO of MDA at Gurgaon and were informed about the audit plan, audit objectives, etc.

Audit findings

3.3.5 Planning of schemes

3.3.5.1 Policy for recovery of Beneficiaries' share not formulated

Due to non-formulation of policy, Rs 2.20 crore could not be recovered from beneficiaries

According to loan agreement with Government of India (GOI) and International Fund for Agriculture Development (IFAD), participating farmers were to contribute 3.2 *per cent* of total project outlay. Accordingly, the Board decided in its 18th meeting (March 2002) to recover contribution from the participating farmers from April 2002 onwards. An amount of Rs 2.20 crore (3.2 *per cent* of total project outlay of Rs 70.19 crore) was recoverable from the participating farmers but no amount had been recovered so far (March 2006). The Board had not formulated any policy regarding the manner in which the amount was to be recovered from the beneficiaries.

Thus, non-formulation of policy for recovery of farmers' share resulted in non-recovery of Rs 2.20 crore from beneficiaries.

3.3.5.2 Non-preparation of layout plans

Rupees 50 lakh remained blocked for over four years due to lack of proper planning

The Board in its 13th meeting (December 1996) approved construction of MDA complex at Nuh and sanctioned Rupees one crore from State funds under ongoing schemes for construction of office building, residence of CEO and staff quarters at Nuh. Against the sanctioned amount of Rupees one crore, an amount of Rs 50 lakh was released to MDA in 1998-99. The MDA requested (August 1999) the Executive Engineer, Provincial Division, Public Works Department (PWD), Buildings and Roads (B&R), Nuh to prepare layout plan and estimates for the complex.

Test-check of records of Provincial Division, PWD (B&R), Nuh revealed that the Division had never prepared estimates and layout plan of the complex and the amount remained unutilised for more than four years from 1998-99 to 2003-04 (upto September 2003). This amount was diverted (September 2003) to Public Health Department for implementation of schemes for augmentation of drinking water, harvesting and recharging components with the approval of the governing body of MDA.

Thus, due to lack of planning, Rs 50 lakh remained blocked for more than four years.

3.3.5.3 Implementation of scheme without proper survey

Implementation of scheme without proper survey led to wasteful expenditure of Rs 52.08 lakh

Mewat Development Agency proposed in 2004-05 to install 90 television dish antennae in six blocks (15 antennae in each block). The scheme was to be implemented through Non-Government Organisations (NGOs) who after installation of antennae were required to hand over the infrastructure to village level Self Help Groups (SHG) Federations. The contractors of cable operating system were to collect Rs 35 per connection from the SHG members and Rs 75 from the non-SHG members. The SHG Federations were required to pay back 75 *per cent* of total expenditure to MDA in yearly instalments at the rate of Rs 10,000 and the contractors were required to pay 25 *per cent* of the profit to SHG Federations. The scheme aimed at disseminating information on marketing facilities, latest farming techniques to farmers and provide access and exposure to the fast growing electronic world.

The CEO, MDA constituted (November 2004) a Committee for the purchase of television dish antennae, which recommended (December 2004) a Delhi based firm out of seven quotations received. Accordingly, 70 dish antennae were purchased (December 2004) at a cost of Rs 52.08 lakh against projected requirement of 90.

It was noticed (June 2006) that the scheme was not running successfully and no revenue was being generated from the scheme. Most of the villagers had black and white TV sets which could not catch all the channels as the network of dish antennae was weak and did not cover the entire village/town. Villagers were not financially sound enough to pay connection fee, etc. Further, no communication expert was involved in the purchase committee to look into the technical aspects of the system. Had the scheme been implemented after conducting proper survey, scheme could have been evolved so as to ensure fulfilment of its objectives. In absence of this, expenditure of this Rs 52.08 lakh was incurred on the scheme which had remained non-functional. The CEO, MDA stated (June 2006) that efforts would be made to make the system functional in future.

3.3.6 Financial management

3.3.6.1 Financial outlay and expenditure

For the implementation of schemes/programmes, State Government released funds to MDA in the form of grants-in-aid. A special programme, called Mewat Area Development Project (MADP), was implemented from 1995-96 for which external aid was provided by International Fund for Agriculture Development (IFAD) under a loan agreement between Government of India (GOI) and IFAD, Rome (Italy). Project cost was to be shared between GOI, State Government and beneficiaries in the ratio of 67.1:29.7:3.2. The State Government allocates funds in its annual budget to meet the annual requirement of expenditure for the project as estimated in the annual work plans. The Director, Agriculture, Haryana is responsible for drawing funds from State Government Account for releasing to MDA which in turn releases these funds to various implementing agencies including line departments. MDA submits the expenditure account directly to GOI (with copy to Haryana Government) which reimburses the amount (from special loan account) to the extent found eligible under IFAD agreement. During 2001-06, Rs 35.08 crore were reimbursed by GOI from IFAD loan. Besides, GOI released funds amounting to Rs 2.94 crore for implementation of Integrated Wasteland Development Programme (IWDP) and Rs 2.89 crore for Area Intensive Programme for Educationally Backward Minorities during 2001-06.

Budget estimates were prepared considering the physical targets projected in the Annual Work Plans. Budget provisions and expenditure during 2001-06 under various schemes were as under:

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	Total
Mewat Area Development Project (funded through IFAD loan)						
Budget provision	16.00	20.54	8.00	1.91	-	**46.45**
Expenditure	22.19	17.93	7.79	7.56	-	**55.47**
Other on going Schemes[1] (funded by State Government)						
Budget provision	3.50	4.25	4.35	3.65	8.00	**23.75**
Expenditure	1.60	2.32	5.67	5.01	6.90	**21.50**
Integrated Wasteland Development Programme (funded by State Government and GOI)						
Budget provision	-	1.48	-	0.73	0.73	**2.94**
Expenditure	-	0.55	0.91	0.68	0.45	**2.59**
Area Intensive Programme for Educationally Backward Minorities (funded by GOI)						
Budget provision	2.50	-	-	0.39	-	**2.89**
Expenditure	2.49	-	-	0.22	0.13	**2.84**
Total						
Budget provision	22.00	26.27	12.35	6.68	8.73	**76.03**
Expenditure	26.28	20.80	14.37	13.47	7.48	**82.40**

[1] Other schemes were State funded schemes pertaining to education, health, irrigation, housing, public health, agriculture and community works.

Excess expenditure over budget provision under MADP during 2001-02 and 2004-05 was met from unspent balances of Rs 9.39 crore carried over from prior to 2001-02.

3.3.6.2 Diversion of funds

Under Area Intensive Programme for Educationally Backward Minorities, GOI, approved Haryana Government's proposals (prepared by MDA) for Rs 5.69 crore for construction of school buildings in Mewat area in the year 2001-02.

First instalment of Rs 2.50 crore was received in 2001-02 by MDA. Out of this grant, the CEO, MDA, released Rs 18.96 lakh in November 2002 to ASCO, Palwal for land filling in Mewat Model School (MMS), Hathin, which was not a part of programme. Out of this, ASCO, Palwal spent Rs 18.03 lakh on land filling which contravened the conditions of grant released by GOI.

3.3.6.3 Irregular expenditure on salaries

Rupees 87.11 lakh were spent on salaries in violation of terms and conditions of IFAD

Mewat Area Development Project (MADP) was funded through IFAD loan, State Government and beneficiaries share. As laid down in the agreement for IFAD loan, the expenditure on salaries was to be excluded from the operational cost of the Project. Thus the expenditure on salary of staff taken on deputation from the line departments should have been borne by the line Departments and not by MDA out of MADP funds. Contrary to this, the Board decided (September 1997) to deploy the staff of Assistant Soil Conservation Officer (ASCO), Ferozpur Jhirka on deputation basis with MDA, exclusively for taking up MADP works and spent Rs 87.11 lakh on their salary during 2001-05 in deviation of the terms and conditions of the loan agreement which was irregular.

The CEO, MDA stated (April 2006) that the decision to depute the ASCO staff with MDA was taken in the Board meeting and hence the expenditure was regular. The reply was not acceptable, as the expenditure on staff salary was not chargeable to MADP funds as per terms and conditions of the loan agreement.

3.3.7 Implementation of schemes/programmes

3.3.7.1 Loss of IFAD assistance due to delay in execution of works

Delay in execution of works resulted in non-availing of the IFAD assistance of Rs 3.75 crore

Management of IFAD accorded approval in March 2003 for extension of the MADP from 31 March 2003 to June 2005 subject to the condition that no civil works would be executed during the extended period.

It was noticed that departments executing civil works (i.e. Public Health, Irrigation, Agriculture, etc.) did not complete civil works within the project period i.e. by 31 March 2003. A large number of works were completed during the extended period (2003-05) by spending Rs 5.59 crore. Since the expenditure was incurred after the stipulated period, IFAD did not accept the expenditure as eligible for releasing their share of Rs 3.75 crore (i.e. 67.1 *per cent* of Rs 5.59 crore). Had MDA planned and monitored the execution of works properly and completed the works within the original project period, the State Government could have availed of the benefit of this financial assistance from IFAD. Thus, delay in execution of works deprived MDA of IFAD assistance.

3.3.7.2 Wasteful expenditure on incomplete pre-schooling education

Failure to complete the pre-schooling programme resulted in wasteful expenditure of Rs 43.31 lakh

Keeping in view the existing conditions of government schools, quality of education, apathy of the community towards education and high dropout rate in primary schools, MDA decided to start Child Development Programme (CDP) in Mewat area during 2001-02.

Main objective of CDP was to prepare children for formal schooling in the age group of 4–11 years who were out of schools and to minimize the high dropout rate in the schools at primary level. For this, MDA planned to start 60 centres with 60 children for each centre (10 centres in each block). The first batch was to commence from July 2004 and education was to be provided upto December 2004. After completion of 6 months preparatory education at these centres, the children were to be enrolled in Class I in regular schools.

It was noticed in Audit that to prepare 3,600 kids for formal schooling, budget provision of Rs 46.50 lakh was approved in 2004-05 and 60 CDP centres were started from July 2004. In addition to this, MDA planned to start another set of 60 CDP centres to prepare 3,600 more children for formal education. Mewat Development Agency started 120 centres from October 2004 after closing existing 60 operational centres in September 2004 midway after three months on which an expenditure of Rs 43.31 lakh was incurred from July 2004 to September 2004. Scrutiny of attendance records of these children in schools revealed that dropout rate of students who got preparatory education for three months ranged between 60 and 65 *per cent*, whereas dropout rate was only 5 *per cent* in respect of children who got preparatory education for six months. Thus, the children who got preparatory education for three months could not be trained and sensitised properly as the programme was designed for six months. Closing of centres midway was thus injudicious and expenditure of Rs 43.31 lakh remained largely wasteful.

The CEO, MDA stated (November 2005) that the first batch was discontinued to prepare more students for pre-schooling. Reply was not acceptable as the syllabus for pr-schooling was for six months and could not be covered in three months.

3.3.7.3 Irregular expenditure on running of unrecognised schools

Irregular expenditure of Rs 2.82 crore was incurred on running of unrecognised schools

According to Haryana Education Code, the schools were required to be recognised from competent authority of Education Department to maintain standard of education and other relevant facilities for all round development of students. Haryana School Education Rules, 2003 further laid down that no school in the State was authorised to function, establish or start classes without the prior approval of the Director, Education Department.

It was noticed that three[2] Mewat Model Schools (MMS), which were being run out of State Government grants, were neither recognised by the competent authority of Education Department nor affiliated to any School Education Board. However, MMS, Punhana was provisionally recognised by Director, Secondary Education, Haryana only with effect from April 2005. A sum of Rs 2.82 crore[3] was incurred by these schools during 2001-06 (MMS, Punhana upto 2004-05).

Providing financial aid to unrecognised schools was irregular. Besides, standard of education and other relevant facilities, as envisaged in Haryana Education Code, provided to students could not be ascertained in the absence of recognition of schools by Education Department.

3.3.7.4 Delay in completion of works

Delay in completion of 13 works ranged between 4 to 39 months

As per administrative approval accorded by MDA for execution of works, the works were to be completed within three to six months from the date of administrative approval.

Thirteen MADP works were got executed through Executive Engineers, Public Health Divisions (PH), Nuh and Sohna at a cost of Rs 3.50 crore against the estimated cost of Rs 2.25 crore during 2001-06. Delay in execution of works ranged between 4 and 39 months from the date of administrative approval as per details in ***Appendix XXIII***. The delay was attributed (June 2006) by Executive Engineers concerned mainly to non-availability of material and shortage of field staff with the divisions concerned besides non-handing over of sites by village panchayats. The PH Divisions met the excess expenditure over estimates by diverting funds from other sanctioned works without obtaining revised administrative approval from CEO, MDA.

3.3.7.5 Execution of works without technical sanctions

In two divisions, 309 works relating to installation of tubewells and other works for augmentation of water supply (250 works by PH, Nuh and 59 works by PH, Sohna) involving an expenditure of Rs 31.84 crore were executed during 1995-2005 without obtaining technical sanctions from the competent authority[4] in violation of para 2.89 of Public Works Department Code though administrative approvals had already been obtained. The concerned Executive Engineers, while admitting the lapse (March-April 2006), did not furnish reasons for not obtaining technical approval.

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[2] Punhana, Nagina and Hathin.

[3] Mewat Model School, Punhana Rs 0.81 crore; Mewat Model School, Nagina: Rs 0.77 crore; and Mewat Model School, Hathin: Rs 1.24 crore.

[4] Power to accord technical sanctions to works:
Upto Rupees one lakh: Executive Engineer; above Rupees one lakh and upto Rs 10 lakh: Superintending Engineer; and beyond Rs 10 lakh: Chief Engineer.

3.3.7.6 Wasteful expenditure on partial implementation of programme

Due to partial implementation of programme, expenditure of Rs 42.50 lakh was rendered wasteful

To ensure beneficiary participation in development programmes, particular attention was to be given to Development of Support Communication (DSC). An outlay of Rs 1.22 crore was provided in the approved annual work plan of 1995-96 with the objectives of providing media communication and training for selecting appropriate strategies for village development. Institute for Development and Communication (IDC), an NGO located at Chandigarh, was selected as a professional consultant, having a pool of expert human resources for providing specialised services like preparation of village development plan (VDP), training of NGOs, project staff, etc.

It was observed in audit that out of total expenditure of Rs 56.75 lakh under this scheme, IDC spent Rs 42.50 lakh on training (Rs 40.07 lakh) and on publication of a monthly News Letter 'Tabeer' (Rs 2.43 lakh) during 1995-2001. As the NGO did not prepare VDP for more implementation of the programme, the United Nations Office for Project Services-Supervision Mission (UNOPS) recommended discontinuing of the scheme. Accordingly, the scheme was withdrawn from 2001-02. Thus, failure to implement the scheme rendered the entire expenditure of Rs 42.50 lakh as unfruitful.

3.3.7.7 Engagement of NGO without verifying credentials

An NGO–Anarde Foundation was engaged (October 2001) for execution of soil conservation works and Rs 10 lakh were released to them for this purpose. Instead of incurring expenditure on civil works viz. check dams, village ponds and percolation embankment as envisaged in the scheme, the NGO spent Rs 3.13 lakh on training, survey and planning. Rupees 4.06 lakh only were spent on civil works and the balance of Rs 2.81 lakh was returned in December 2002 to MDA.

Further, the UNOPS mission pointed out that the civil works of watershed done by the NGO were not found technically sound and advised that the NGO may get technical backup from the line department. The credential and commitment of the NGO was not above board as an inquiry was pending against the NGO in same kind of work of District Rural Development Agency, Gurgaon. Subsequently, the NGO was removed (August 2002) and the soil conservation work remained abandoned.

Thus, selection of NGO without verifying credential rendered the entire expenditure of Rs 7.19 lakh incurred on the component as wasteful.

3.3.8 Creation and maintenance of assets

3.3.8.1 Reclaimed land not handed over to farmers

Out of Land measuring 637 hectare reclaimed at a cost of Rs 50.79 lakh, 610 hectare was lying unused

Under the waste land management scheme, waste land belonging to Panchayats/farmers was to be reclaimed to make it cultivable and thereafter was to be handed over to farmers/landless labourers of the area.

Waste land measuring 637[5] hectare was reclaimed by spending Rs 50.79 lakh during 2001-05. But the land had not been handed over to farmers/landless labourers as of April 2006. The reclaimed land was lying unused. Reasons for not handing over the land were neither on record nor intimated by MDA.

Thus, due to failure in handing over land to the needy farmers, benefits of the scheme could not be derived even after spending Rs 50.79 lakh which rendered the entire expenditure unfruitful. The CEO, MDA stated (June 2006) that 27 hectare land had been given on lease to landless farmers for two years and balance land would also be given on lease soon.

3.3.8.2 Chilling plant established on the land belonging to Milk Plant

With a view to improving the socio-economic conditions of milk producers, MDA approved (April 2003) a proposal to set up a chilling plant at village Khanpur Ghati.

Land measuring 3.81 acre was provided by the village panchayat for which land compensation was to be paid by the Dairy Development Department.

Test-check of records (November 2005) of MDA and Milk Plant, Ballabgarh revealed that instead of Dairy Development Department making payment for land compensation, Milk Plant, Ballabgarh paid land compensation of Rs 5.64 lakh to the village panchayat and got the land registered in their name. An expenditure of Rs 90.30 lakh was incurred during 2003-05 on construction of building and purchase/installation of machinery out of the funds of MDA. Since the land was in the name of Milk Plant, Ballabgarh, run by Co-operative Milk Producers' Union, ownership of the chilling plant and investment of Rs 90.30 lakh would be at risk in the event of litigation.

Mewat Development Agency while admitting the facts stated (November 2005) that the fact that the land of the chilling plant was in the name of CEO, Milk Plant, Ballabgarh and not in the name of Dairy Development Department was not known to MDA. He further assured that the matter would be taken up with the CEO, Ballabgarh to resolve the issue.

3.3.8.3 Non-utilisation of assets

Unfruitful expenditure of Rs 22.74 lakh was incurred on off farm activities

Mewat Development Agency engaged non-Government Organisation (NGOs) for imparting training to farmers for horticulture and other off farm activities. A sum of Rs 22.74 lakh was spent on this component during 2001-03, but no tangible benefits were derived from this component as discussed below:

- A sum of Rs 14.54 lakh (Rs 1.39 lakh on construction of rooms, Rs 4.19 lakh on purchase of machine, Rs 1.64 lakh on training to farmers and balance of Rs 7.32 lakh on salaries and contingencies) was spent on installation of oil-extraction plant and for imparting

[5] 2001-02: 58 Hectare; 2002-03: 283 Hectare; 2003-04: 62 Hectare; and 2004-05: 234 Hectare.

training to farmers for extraction of oil from medicinal plants through an NGO during March 2002 to March 2003. Though 393 farmers were trained during this period, the Board decided (January 2003) not to provide funds to the NGOs. As no training was imparted after March 2003, the plant continued to remain idle as of March 2006.

- Two paper recycling plants were installed at a cost of Rs 5.49 lakh at Mewat Model Schools (MMS) at Hathin and Punhana during 2001-02. The plant at Hathin worked during January 2002 to June 2003 and only 41 students were trained while the plant at Punhana worked only during January 2002 to April 2002. Thereafter, the instructors left the job and no training was imparted at these plants. Despite the fact that above mentioned plants were not in use, another plant was purchased for MMS, Nagina at a cost of Rs 2.71 lakh in April 2003 which also could not be installed because of space shortage in the school. The plant was transferred to MMS, Ferozpur Zhirka in August 2004, where also it was lying idle as of March 2006.

3.3.8.4 Non-maintenance of Asset Register

Under MADP, Rs 27.62 crore[6] were spent by line departments viz. Irrigation, Public Health and other agencies during 2001-04 (accounts for 2004-06 had not yet been finalised) for construction of boosting stations for water supply, school/college buildings, furniture, milk plant, etc. for creation of durable assets. It was, however, noticed that though MDA was finalising its annual accounts in the format of income and expenditure including schedules for assets and liabilities but these assets were not being reflected and capitalised in accounts as asset register showing details indicating names of departments/agencies (which were in possession of such assets), dates and cost of purchase/creation of assets, etc. was not being maintained.

The CEO, MDA stated (December 2005) that it was not possible to maintain register with such details. The reply was not acceptable as MDA should have maintained the records of assets created by implementing agencies with a view to ascertain the exact position of assets.

3.3.9 Impact on women and child health, literacy and drinking water sectors

3.3.9.1 Non- improvement in women and child health

A project for improving health services in Mewat area was taken up in 2001-02. Test-check of records revealed that against outlay of Rs 3.17 crore, an expenditure of Rs 1.47 crore was incurred on health during 2001-05 from MADP funds as detailed below:

(Rupees in lakh)

Year	Outlay	Expenditure incurred	Savings	Percentage of expenditure incurred
2001-02	81.54	34.07	47.47	42

[6] 2001-02: Rs 12.69 crore; 2002-03: Rs 10.73 crore and 2003-04: Rs 4.20 crore.

2002-03	102.50	28.06	74.44	27
2003-04	110.32	45.60	64.72	41
2004-05	22.19	39.69	(-) 17.50	179
Total	**316.55**	**147.42**	**169.13**	**47**

Besides, an expenditure of Rs 1.05 crore was incurred against the budget provision of Rs 2.60 crore from ongoing State funded schemes during 2001-06.

It was observed that more than 50 *per cent* of funds under both the components i.e. MADP funds and State Sector remained unutilised. Non-utilisation of funds indicates lack of efforts by the MDA for improving the services under health sector.

As per norms for rural population of 5,000, 30,000 and 1,20,000, one Sub Centre, one Primary Health Centre (PHC) and one Community Health Centre (CHC) respectively were required to cater to the health care needs of the people. It was noticed during audit that for the population of 10.11 lakh in 2005-06, available infrastructure was 76 Sub Centres, 15 PHCs and 4 CHCs against the requirement of 202 Sub Centres, 34 PHCs and 8 CHCs which was insufficient to the extent of 62, 56 and 50 *per cent* respectively.

Further, there were large number of vacancies of doctors and para-medical staff as test checked in three blocks as detailed below:

Name of Community Health Centres	**Sanctioned post**	**2002-03**		**2003-04**		**2004-05**		**2005-06**	
		Sanctioned post	**Vacant post**	**Sanctioned post**	**Vacant post**	**Sanctioned post**	**Vacant post**	**Sanctioned post**	**Vacant post**
Nuh (covering Tauru and Nuh Blocks)	Specialist/SMO/MOs	24	14	24	8	24	14	15	12
	Other staff	43	19	77	32	76	28	43	11
Ferozpur Zhirka	Specialist/SMO/MOs	15	8	15	8	15	8	15	8
	Other staff	56	33	55	32	55	32	55	32
Grand Total		**138**	**74**	**171**	**80**	**170**	**82**	**128**	**63**

These large number of vacancies affected the health care services in the area as immunization was done on only 66 *per cent* of the pregnant women in five[7] blocks of Gurgaon district during 2001-06. Forty nine *per cent* of the children born in the area were underweight i.e. below 2,500 gms. Data regarding mortality of pregnant women and the children was not available with the Health department.

Further, only 17 *per cent* deliveries were held in hospitals/medical institutions and rest of the deliveries (83 *per cent*) were done through trained *dais* who were not competent to prescribe medicines. Thus, health care facilities were not adequate in Mewat area.

3.3.9.2 Non-improvement in female literacy rate

As per 1991 census literacy rate in Mewat was extremely low for men (35.5 *per cent*) and appallingly low for women (7.9 *per cent*), a mere 2 *per cent* among Meo-girls. There was high dropout of Meo-girls (84 *per cent*) in schools after primary level. The reasons for the high dropout were attributable to non-availability of middle/senior secondary schools exclusively for girls as there were only eight middle schools for girls out of total of 108 schools in

[7] Ferozpur Jhirka, Nuh, Nagina, Punhana and Tauru.

Mewat. Meo culture disapproved sending girls of certain age group to mixed (co-education) schools and also because of travelling long distances outside the village. It was, therefore, of utmost importance to increase the numbers of middle/high schools exclusively for girls to improve the literacy rate and to reduce the high dropout among Meos.

Under MADP, it was decided to support exclusively private middle/high schools for girls. MDA invited applications in 1997-98 from the prospective private schools to provide financial assistance. But as no school fulfilled the criteria[8] for selection, no funds were spent during 1995-2001 on this component. Thereafter, an in-depth analysis of the education in Mewat to identify the critical gaps for support was got conducted in 1999-2000 through State Council of Educational Research and Training (SCERT), Gurgaon. SCERT identified critical gaps such as sensitisation of local religious leaders for bringing the Meo community in the main stream of education, more female teachers should be appointed as there were only 225 female teachers out of total 1,448 primary teachers in the area. Besides, there was a need to upgrade all co-educational primary schools to middle schools and co-education primary schools having 30 *per cent* girls should have separate girls primary schools.

It was noticed in audit (June 2006) that no efforts were made by MDA to fill up the gaps identified by the SCERT. Instead MDA changed the component of formal education to non-formal education in 2001-02. Under this new component an expenditure of Rs 3.53 crore was incurred on 569 Child Development Project (CDP) centres during 2001-05 for pre-school education.

Though enrolment of girls at primary level was satisfactory (63[9] *per cent*), it failed to keep pace at middle school level as enrolment of girl children under this category was only 23 *per cent* of eligible girl children. The women literacy rate in Mewat area was 24.26 *per cent* (as per 2001 census). It ranged between 15.02 and 23.68 *per cent* in five blocks and was 34.55 *per cent* in one block (Tauru) during 2004-05.This was lower than women literacy rate of 55.7 *per cent* for whole of the State during this period. As such there was no substantial improvement in literacy for women.

Further, according to survey conducted by the SCERT, Gurgaon (1999-2000), the schools had population pressure of 1,034, 5,556 and 5,217 per school for primary, middle and high school respectively which needed to be reduced. It was, however, noticed during audit that the school population pressure, instead of decreasing, had increased to 1,636, 13,137 and 18,603 per primary, middle and high school respectively by the end of the year 2005-06. Education infrastructure in the area thus remained inadequate which affected the literacy rate and educational development of Mewat adversely.

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8 School must exist for two years and affiliated, non-political nature of managing board, enrolling of a minimum of 20 girls per class and adequately qualified teaching staff.

9 As per data collected from Elementary Education Officer-cum-District Project Coordinator, Gurgaon as of May 2006.

3.3.9.3 Inadequate supply of drinking water

For improving drinking water supply, the annual work plans envisaged raising of water supply level to 40 litre per person per day (lpcd) by the end of the project period i.e. March 2005. Though, Rs 26.32 crore were spent during 2001-05 for increasing the level of water supply by installing 321 tubewells, providing 48 boosting stations and by laying pipelines for water distribution over a length of 659 km, the targeted water supply level of 40 lpcd was not achieved as it remained only 28 lpcd till the end of March 2005.

3.3.10 Inadequate internal control system

Internal control system safeguards against errors and irregularities in operational and financial matters. It also assures senior management on adequacy of risk management in the department/organization. Internal Control was found deficient in the MDA to the extent that no internal audit system was in vogue in the organisation, no plan of rotation of employees dealing with cash, valuables and store and stock was prepared. Physical verification of store and stock/assets lying with implementing agencies was not carried out regularly, utilisation certificates without verifying the actual records of the implementing agencies were being accepted and contractual staff was deployed on key posts i.e. Administrative Officer, Project Economist, Deputy Superintendent, Accountant, etc. on planning and implementation.

Thus, the internal control system in the MDA which was far from satisfactory needs to be strengthened.

3.3.11 Monitoring and evaluation

At the State level, the implementation of the scheme was to be monitored by the Board and the State Implementation Committee (SIC). The Board was required to meet atleast twice a year and the SIC once in a quarter to take stock of the progress of the activities of the programme. However, the Board held six meetings against the requirement of 10 meetings while SIC did not hold any meeting against the requirement of 20 meetings during 2001-06.

As per agreement between GOI and IFAD, a proposal was to be submitted regarding arrangement and terms of reference for monitoring the activities of the MADP. However, neither any proposal for creation of monitoring mechanism was mooted nor any monitoring cell was created by MDA.

Management information system (MIS) reports were received from the line departments but MDA could not provide any evidence to audit whether these reports were put up to the higher authorities for monitoring and corrective measures.

Out of funds of Rs 10 lakh kept for evaluation study, Rs 9 lakh were released (2004-05) to the Haryana Institute of Public Administration (HIPA) for the purpose but report from HIPA had not been received (May 2006). No evaluation was got conducted from any agency to assess the extent of improvement brought about, if any, in the living standard of the people of Mewat area as a result of implementation of the schemes though evaluation study was mandatory under the agreement with IFAD.

3.3.12 Conclusions

The MDA was not able to meet most of its objectives. Planning was grossly inadequate as unjustified expenditure was incurred on salaries out of MADP funds and the Board failed to formulate any policy to secure recovery of beneficiaries' share in the total project outlay. A scheme for dissemination of information on marketing facilities and latest farming techniques to farmers through electronic media (television) did not succeed because it was launched without proper survey.

Deficiencies in implementation of programme/schemes led to wasteful expenditure on incomplete pre-schooling education, irregular expenditure on running of unrecognised schools, delay in execution of civil works which deprived MDA of substantial financial aid from IFAD, etc. There were also deficiencies in utilisation and maintenance of created infrastructure/assets such as non-handing over of reclaimed land to landless farmers, non-utilisation of oil extraction plant and paper recycling plants, non-maintenance of assets register, etc.

Infrastructure under health sector such as Sub Centres, Primary Health Centres and Community Health Centres in terms of number was inadequate. Large number of posts of doctors and para-medical staff were vacant. Forty nine *per cent* of the children born in the area were underweight. There was no marked improvement in women literacy rate as it continued to be lower than that of the State. Drinking Water Supply level did not improve as it remained at 28 lpcd at the end of the project period against the target of 40 lpcd despite incurring substantial expenditure for the purpose. These findings indicate that the activities of MDA did not have any significant impact on female literacy rate, women and child health and drinking water.

Though socio-economic improvement in the living standard of Mewat people was the major area of concern, the impact of development schemes was not got evaluated to assess the extent of improvement in this area.

3.3.13 Recommendations

The following recommendations are made:

- Proper survey should be conducted before taking up any scheme/programme to avoid abandonment of schemes mid-way.
- Effective action should be taken to hand over the reclaimed land to landless farmers.
- To improve health indices, Sub Centres, Primary Health Centres and Community Health Centres should be set up according to prescribed population norms and adequate number of doctors/para-

medical staff deployed in order to cater to the health care needs of the people of Mewat area.

- More schools for girls at middle and high school level should be opened in order to increase women literacy rate in the area.
- Developmental schemes should be evaluated periodically to assess the impact of these schemes on the living standard and economic status of people of the area.

These points were demi-officially referred to the Financial Commissioner and Principal Secretary to Government Haryana, Revenue Department in July 2006; reply had not been received (July 2006).

Food and Supplies Department

3.4 Food Security, Subsidy and Management of Foodgrains

Highlights

A review on the procurement of foodgrains and Public Distribution System (PDS), which aims at enhancing food security for the poor, brought to light significant weaknesses in financial management, inefficiencies in procurement, delivery to Food Corporation of India (FCI) and distribution of foodgrains to targeted population. Also there were cases like losses occurring due to damage of wheat, not following the instructions of FCI in delivering foodgrains, non-supply of rice by the millers after milling paddy, short accounting of moisture gain in wheat. It was also assessed that there was inadequate storage facility, allocated quantities of foodgrains not lifted and wheat meant for Above Poverty Line (APL) families was sold in the open market. Proper monitoring system for watching distribution of foodgrains was also not in place.

- **The Department suffered a loss of interest of Rs 1.36 crore due to release of advances without making adjustment of previous funds already available with Director General, Supplies and Disposal, Kolkata.**

(Paragraph 3.4.5.1)

- **Government suffered a loss of Rs 141.97 crore on account of damage of wheat due to prolonged storage, failure to clear stock from open storages and improper maintenance.**

(Paragraph 3.4.6.5)

- **Failure to follow the standard terms and conditions of agreement with rice millers resulted in non-receipt of Custom Milled Rice worth Rs 5.72 crore for more than three years.**

(Paragraph 3.4.6.3)

- **Due to ignoring of moisture gain norms, moisture gain on 30.21 lakh quintal of wheat supplied to FCI was short accounted, indicating misappropriation/pilferage of 23,000 quintal of wheat valuing Rs 1.40 crore.**

(Paragraph 3.4.6.6)

- **Misappropriation of Rs 1.11 crore was observed on account of selling of wheat meant for APL families in open market in Karnal district.**

(Paragraph 3.4.7.2)

3.4.1 Introduction

Haryana is a surplus State in production and procurement of foodgrains. State Government is involved in procurement of foodgrains for central pool on Minimum Support Prices (MSP) fixed by Government of India (GOI), directly from the growers to eliminate the chances of distress sale, storage, upkeep and maintenance of stock of foodgrains, delivery to Food Corporation of India (FCI) and operation of sound Public Distribution System (PDS) for supplying essential commodities at reasonable rates to the targeted sections of society. The overall responsibility of procurement of foodgrains under MSP and its distribution through PDS covering targeted sections of society viz. families of Above Poverty Line (APL), Below Poverty Line (BPL) and Antodaya Anna Yojna (AAY) rests with the Food and Supplies Department. The Director, Food and Supplies Department, Haryana exercises general superintendence over other procurement agencies also. The procurement agencies in the State were procuring for central pool in the prescribed ratio; i.e. Food and Supplies Department: 25 *per cent*, FCI: 15 *per cent*, Haryana Warehousing Corporation: (HWC): 9 *per cent*, Haryana State Agriculture Cooperative Federation Limited (HAFED): 33 *per cent*, Haryana Agro Industries Corporation Limited (HAIC): 9 *per cent* and Haryana State Federation of Consumers Co-operative Wholesale Stores Limited (CONFED): 9 *per cent*.

3.4.2 Organisational set up

The Financial Commissioner and Principal Secretary to Government of Haryana, Food and Supplies Department is the Administrative head in the Government and is responsible for formulation of policies and programmes and their implementation by the Department. The Director-cum-Joint Secretary, Food and Supplies Department, exercises general superintendence over functioning of the Department. He is assisted by an Additional Director, a Joint Director, three Deputy Directors and a Joint Controller, Food Accounts. At district level, the activities of the procurement, storage and delivery of wheat and paddy to FCI and public distribution functions are carried out by 20 District Food and Supplies Controllers (DFSCs).

3.4.3 Audit objectives

The objectives of the performance audit were to evaluate and assess:

- the efficiency of financial management;

- the efficiency of the system of procurement of foodgrains;
- the effectiveness of the foodgrains distribution system ; and
- the effectiveness of the working of supervision mechanism of PDS.

3.4.4 Audit coverage

Records relating to implementation of the programme in Food and Supplies Department for the period 2000-06 were test checked between July-September 2005 and February-March 2006 in the office of the Director, Food and Supplies and four[1] district offices (out of 20 districts). In each selected district, three blocks (two from rural and one from urban area) were covered under test-check. Besides, records of 58 Fair Price Shops were also test checked. Some audit observations in other districts have also been incorporated, wherever necessary. Selection of districts, blocks and Fair Price Shops was done by applying Simple Random Sampling Without Replacement Method.

3.4.5 Financial arrangements

Foodgrains procurement activity is financed through cash credit facility sanctioned by Reserve Bank of India to the State Government considering the expected procurement and already available stock of foodgrains. The facility is extended through State Bank of India on hypothecation of food stocks. Test-check of records relating to this aspect brought out the following points:

3.4.5.1 Loss of interest due to non-adjustment of advances

The department sustained loss of interest of Rs 1.36 crore due to blocking of funds with DGS&D, Kolkata

The Department purchases gunny bales from the Director General of Supplies and Disposals (DGS&D), Kolkata for procurement of wheat and paddy. As per policy framed by GOI, the payment for the purchase of gunny bales was to be made in advance on the basis of estimated rates intimated by DGS&D, Kolkata. Adjustment of advances was required to be made on receipt of gunny bales. Scrutiny of records revealed that huge advance payments were made but their adjustments were not reconciled with reference to actual receipt of gunny bales. As a result, outstanding advances accumulated to Rs 11.42 crore at the end of September 2004.

At the instance of audit, reconciliation of account was done by the Department with DGS&D, Kolkata and consequent thereto, Rs 9.84 crore were adjusted in February 2005 and Rs 1.34 crore adjusted in May 2005 against the indent of gunny bales of Rabi 2005. Still an amount of Rs 24 lakh was outstanding as of August 2005. Thus, failure to reconcile adjustment of advance payments resulted in blocking of funds[2] during April 2001-April 2005 which

[1] Faridabad, Hisar, Jind and Karnal.

[2] Rs. 5.50 lakh for 43 months, Rs 7.50 lakh for 45 months, Rs 29.42 lakh for 32 months, Rs 35.05 lakh for 39 months, Rs 64.28 lakh for 28 months, Rs 1.58 crore for 2 months and Rs 10 crore for 13 months.

led to loss of interest of Rs 1.36[3] crore upto April 2005 (at the rate of 9.1 *per cent* per annum, the minimum rate of interest charged by SBI on cash credit).

Financial Commissioner and Principal Secretary to Government Haryana, Food and Supplies Department stated (December 2005) that the advances were made on demand from DGS&D, Kolkata as per guidelines of Government of India and gunny bales accounts were being reconciled with Controller of Accounts, DGS&D, Kolkata every year. Reply was not tenable as adjustment of huge advances was done in February and May 2005 only after being pointed out in audit. Thus authenticity of Rs 24 lakh shown as outstanding as of August 2005 was not verifiable in audit.

3.4.5.2 Loss of interest due to delay in deposit of cheques

Late deposit of cheques led to loss of interest of Rs 10.50 lakh

The department makes procurement of foodgrains by arranging funds on cash credit basis from State Bank of India (SBI). The SBI charges interest at rates fixed by Reserve Bank of India from time to time. Every receipt is required to be deposited in the Bank Account promptly to save burden of interest on cash credit.

Test-check of records of District Food and Supplies Controller, Jhajjar revealed that 34 cheques amounting to Rs 10.56 crore, received from FCI, were deposited in the bank account after a delay of 11 to 116 days during September 2002 to November 2003 because of which the Department suffered a loss of Rs 10.50 lakh towards interest (interest worked out at the rate of interest charged on cash credit by SBI from time to time).

Financial Commissioner and Principal Secretary to Government Haryana, Food and Supplies Department stated (February 2006) that in some cases bank delayed the crediting of funds in Department's account due to non-availability of cash balance in FCI's account; and in respect of remaining cases, action would be taken against the delinquent officials. The reply regarding delay in crediting of cheques by bank was not acceptable since the cheques were actually deposited late by the Department.

Late release of payments by FCI led to loss of interest of Rs 1.04 crore

Similarly, scrutiny of records of District Food and Supplies Controllers, Sonipat and Kaithal brought out that payments were released by FCI against 278 sale bills after a delay of 11 to 69 days during 2002-04. After allowing the grace period of 10 days, the delay in receipt of payment ranged between 1 and 59 days, which caused loss of interest of Rs 1.04 crore. The Department did not take up the matter with FCI to compensate the loss of interest.

3.4.6 Procurement of foodgrains

The table below indicates production, estimated consumption and procurement

[3] Interest calculated after allowing one months grace period for supply of gunny bales.

by all the procurement agencies during the last six years ending 31 March 2006:

Year	Estimated production in the State		Estimated consumption[4] in the State		Surplus available		Targets[5] for procurement by State agencies/FCI		Actual[5] procurement	
	Wheat	Rice	Wheat	Rice	Wheat	Rice	Wheat	Rice	Wheat	Rice
	(Quantity in lakh Metric Tonnes)									
2000-01	96.69	26.95	25.50	2.54	71.19	24.41	50.00	7.00	45.07	8.80
2001-02	94.37	27.36	25.50	2.54	68.87	24.82	65.00	25.00	64.11	10.34
2002-03	91.88	24.68	25.50	2.54	66.38	22.14	60.00	20.00	58.88	10.20
2003-04	90.63	27.93	25.50	2.54	65.13	25.39	55.00	18.00	51.22	6.79
2004-05	90.58	30.23	25.50	2.54	65.08	27.69	55.00	10.00	51.15	10.96
2005-06	90.58	33.05	25.50	2.54	65.08	30.51	55.00	15.00	45.29	15.31
Total	**554.73**	**170.20**	**153.00**	**15.24**	**401.73**	**154.96**	**340.00**	**95.00**	**315.72**	**62.40**

Of the total procurement, Food and Supplies Department procured 66.06 lakh Metric Tonnes (MTs) of wheat (21 *per cent*) and 15.22 lakh MTs of rice (24 *per cent*).

The foodgrains procured under MSP scheme had to be stored for a longer period due to slow movement of stock for supplying to FCI. Test-check of records revealed the following irregularities:

3.4.6.1 Loss due to non-adherence of the instructions of FCI

FCI disallowed reimbursement of Rs 62.55 lakh due to non-adherence of instructions

With a view to save incidental and carryover charges, FCI every year gives directions to procurement agencies for direct delivery of central pool wheat stocks from mandis at those centres where storage space was available with FCI in order to avoid handling and storage charges. In the event of failure of the procurement agencies to follow these instructions, FCI disallows the payment of carryover or incidental charges.

Scrutiny of records of DFSCs of three districts revealed that these offices did not follow the instructions of FCI in supplying the foodgrains directly to FCI from *mandis*, as a result of which FCI disallowed the reimbursement of the carryover charges amounting to Rs 62.55 lakh as detailed below:

Office	Year	Amount of carryover charges disallowed by FCI (Rupees in lakh)
District Food and Supplies Controller, Sirsa	2003-04	20.50
District Food and Supplies Controller, Panipat	2003-04 2004-05	32.90 3.06
District Food and Supplies Controller, Jhajjar	2002-03 2003-04	4.09 2.00
Total		**62.55**

4 Worked out on the basis of formula developed by Planning Commission, Government of India.

5

	Food and supplies		FCI		HAFED		HWC		HAIC		CONFED	
	T	A	T	A	T	A	T	A	T	A	T	A
Wheat	85.00	66.06	51.00	45.63	112.20	119.74	30.60	32.09	30.60	29.87	30.60	22.33
Rice	23.75	15.22	14.25	4.67	31.35	25.68	8.55	6.18	8.55	5.69	8.55	4.96

T = Targets; A = Actual procurement

Thus, due to failure to observe the instructions of FCI, the Department had to bear loss of Rs 62.55 lakh. Financial Commissioner and Principal Secretary to Government Haryana, Food and Supplies Department stated (March 2006) that appropriate action would be taken against the delinquent officials after getting the matter investigated.

3.4.6.2 Cost of gunny bales not recovered from other procurement agencies

Loss of interest of Rs 34.13 lakh due to failure to recover cost of gunny bales from other procurement agencies

The Department purchases gunny bales through Director General of Supplies and Disposal, Kolkata in bulk quantity as per requirement. The Department used to give and take gunny bales to other procurement agencies on loan basis. As on 26 May 2004, 3,948 gunny bales[6] of 50 kg capacity each bag, valuing Rs 3.75 crore, were outstanding against various procurement agencies. Since the adjustment of gunny bales was not being done, the Director, Food and Supplies Department directed (January 2004) all the DFSCs to recover the cost of gunny bales in cash and not to make any adjustment. Contrary to these instructions, 1,426 gunny bales valuing Rs 1.35 crore were issued to other procurement agencies[7] during May 2004 to June 2005 without recovering their cost. Resultantly, Rs 3.75 crore remained blocked for one year and the Department sustained a loss of interest of Rs 34.13 lakh[8] as of May 2005. The loss would further increase if proper action to recover the cost of bales was not taken up promptly.

Financial Commissioner and Principal Secretary to Government Haryana, Food and Supplies Department stated (January 2006) that State agencies gave and took bales from other procuring agencies at the time of need during the procurement of foodgrains to ensure the availability of adequate gunny bags at each centre. However, the reasons for non-recovery of excess gunny bags given on loan to other procuring agencies as per State Government instructions were not intimated.

3.4.6.3 Millers had not supplied the rice after milling of paddy

Failure to follow the standard terms of agreement resulted in non-receipt of rice worth Rs 5.72 crore

The Department procures paddy for central pool and delivers rice to FCI after getting it milled from rice millers. The State Government issued (September 2002) instructions that standard agreement must be signed with the millers. Terms and conditions of the standard agreement inter-alia provided that paddy stored in the premises of the millers would be in joint custody of the millers and the Department and in no case paddy should be in exclusive custody of millers. No paddy should be issued for milling without obtaining bank guarantee or advance rice from millers. In the event of failure to supply rice within the stipulated period, the miller would be liable to pay interest at the rate of cash credit limit fixed by SBI. In case a miller fails or neglects to observe or perform any of the obligations under the contract, the department would get the work executed at miller's risk and cost.

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6 Each gunny bale contains 500 gunny bags.

7 HAFED, CONFED, HWC, HAIC and FCI.

8 Interest worked out at 9.1 *per cent* per annum for the year 2004-05.

The DFSC, Kurukshetra entered (October 2002) into agreements with three millers and stored 21,349 MTs of paddy in the premises of millers. The millers were required to deliver 14,304 MTs of rice after milling the paddy to FCI by 28 February 2003. However, the millers delivered only 7,939 MTs of rice to FCI. Since rice was not received in full quantity, the DFSC lodged (May 2003) FIRs against the millers. Meanwhile, FCI granted extension for delivery of rice upto November 2003. Before granting further extension upto November 2004, FCI confirmed (March 2004) that balance quantity of rice was physically available at the premises of the miller but it was not of acceptable quality and required upgradation. The millers deposited only Rs 22.99 lakh between July 2003 and July 2004 but did not deliver 6,365 MTs rice and Rs 5.72 crore (net value) were recoverable from them after adjusting their dues.

It was noticed during Audit that no bank guarantees or advance rice from the rice millers were obtained. Further, the remaining milling work was not got done at the risk and cost of the millers.

The Department appointed (November 2004) an Arbitrator for settlement of disputes between the millers and the Department who held (March 2006) that the millers had misappropriated the rice produced out of paddy supplied by the Department. The Arbitrator gave award (March 2006) in favour of the Department and made the Department entitled to recover Rs 7.96 crore[9] including interest upto August 2005.

Thus, failure of the Department in obtaining bank guarantee or advance rice from the millers as per the terms of agreements had put the recovery of Rs 7.96 crore including interest (Rs 5.72 crore + interest Rs 2.24 crore) at stake. Further, there was no stock of rice of acceptable quality with the millers for delivery to the Department.

While admitting the fact the Financial Commissioner and Principal Secretary to Government Haryana, Food and Supplies Department stated (December 2005) that the District Food and Supplies Controller, Assistant Food and Supplies Officer, Inspector and Sub-Inspector concerned responsible for the lapses had been suspended and charge-sheeted. Final action was awaited (June 2006).

3.4.6.4 Inadequate storage arrangements

Following table indicates procurement of wheat by the Department, closing

9 M/s Nagpal Rice Mill: 4,391 MT: Rs 5.54 crore; M/s Sain Dass Rice Mill: 917 MT: Rs 1.06 crore and M/s Bharat Rice Mill: 1,057 MT: Rs 1.36 crore.

stock and storage capacity with the Department during 2000-06:

Year	Procurement of wheat	Closing stock[10] as on 31 March	Owned storage capacity		
			Covered	Open	Total
	(Quantity in lakh Metric Tonnes)				
2000-01	10.18	7.94	1.46	0.84	2.30
2001-02	14.93	13.88	1.49	0.82	2.31
2002-03	11.03	11.53	1.64	0.82	2.46
2003-04	9.90	3.10	1.64	0.95	2.59
2004-05	10.44	0.17	1.77	0.79	2.56
2005-06	9.58	0.14	1.77	0.79	2.56

Inadequate storage arrangement for foodgrains

Data in the above table indicated that there was need to increase the covered storage capacity to avoid storage losses/damage of wheat as the State was surplus in foodgrain production and the State had high targets for their procurement. The State Government did not prescribe any norms for building storage capacity for procured foodgrains. Due to improper storage, the department suffered a loss of Rs 141.97 crore because of damage of wheat as discussed in paragraph 3.4.6.5.

Financial Commissioner and Principal Secretary to Government Haryana, Food and Supplies Department stated (April 2006) that the quantity and duration of storage of foodgrains depended on FCI. However, efforts would be made to increase the covered storage capacity in collaboration with Central Warehousing Corporation and other procurement agencies.

3.4.6.5 Loss due to damage of wheat

Damage of wheat resulted in loss of Rs 141.97 crore

Due to prolonged storage in the open, three lakh[11] MTs of wheat stock, valuing Rs 331.43 crore pertaining to crops for the years from 1998-99 to 2000-01, was damaged which had to be disposed of through auction during 2003-05. Rupees 189.46 crore were realised by disposal of this damaged wheat resulting in net loss of Rs 141.97 crore. Besides, there was shortage of 24,733 MTs[12] wheat valuing Rs 17 crore. Reasons attributable to this loss as analysed in Audit were prolonged storage, failure to implement the First-in-First-out (FIFO) principle in delivery of wheat to FCI, failure to clear or deliver the stock from open storage on priority basis, non-segregation of damaged wheat wherever necessary and improper maintenance of stock. The losses could have been minimized with regular monitoring of foodgrains stock, due concern for their deteriorating quality and timely decision for their disposal.

Though, GOI had asked (February 2004) State Government for furnishing the justification for damage of wheat and consequent loss of Rs 141.97 crore, the department had not investigated the matter so far (June 2006). The Director

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10 The quantities of wheat over and above the department's storage capacity were kept in Government owned Corporations (Central Warehousing Corporation, Haryana Warehousing Corporation, etc.) and private rented godowns/open space.

11 Food and Supplies Department: 1.30 lakh MTs; HAFED: 1.23 lakh MTs; HWC: 0.11 lakh MTs; HAIC 0.23 lakh MTs; and CONFED: 0.13 lakh MTs.

12 Food and Supplies Department: 11,057 MTs; HAFED: 7,986 MTs; HWC: 647 MTs; HAIC 3,095 MTs and CONFED: 1,948 MTs.

stated (December 2005) that deterioration in the stock was attributable to the prolonged storage coupled with extraordinary volume of inventory of wheat stock and slow despatches as per FCI's directions.

The State Government had taken up (September 2005) the matter for reimbursement of the entire loss (including loss due to shortage of wheat) with GOI; final decision was awaited.

3.4.6.6 Suspected misappropriation/pilferage of wheat due to short accounting of moisture gain

Short accounting of moisture gain led to suspected pilferage of wheat worth Rs 1.40 crore

The Department procures wheat on behalf of FCI for Central pool during the months of April to June each year. Wheat so procured is delivered directly to FCI and in case immediate despatch is not feasible, it is stored in godowns and is delivered on demand. During storage in godowns, the wheat gains weight during the rainy months on account of absorption of moisture. With a view to avoid pilferage of increased weight of wheat, the norms for gain in quantity due to moisture were fixed by State Government in April 1999 at 700 grams, 800 grams and 900 grams per bag of wheat (95 kg) for despatches during July, August and September, respectively, 1,300 grams for despatches from October to December and 1,400 grams for despatches from January to March. The norms for stocks despatched from April of succeeding year till clearance was 1,200 grams. In case of packing in 50 kg per bag the moisture gain would be at 50 *per cent* of these norms. The Department, however, issued revised lower norms in March 2005 only for the crop year 2001-02 for lustre lost wheat as a special case, according to which, norms for excess in quantity were reduced to 500 gms in July, August and September, 650 gms from October to December, 700 gms from January to March and 600 gms from April of the succeeding year. According to the instructions (January 1989) of Director, Food and Supplies, responsibilities for the shortages were to be fixed, for recovery of loss, on the DFSC, DFSO, AFSO, Inspectors and Sub-Inspectors concerned.

During scrutiny of records of 10[13] DFSCs, it was noticed that 30.21 lakh qtls of wheat was despatched during the period 1999-2005 whereas according to norms 30.44 lakh qtls wheat was to be despatched after taking into account the requisite moisture gain. The shortage of 23 thousand qtls of wheat valuing Rs 1.40 crore strongly indicated misappropriation/pilferages ***(Appendix XXIV)***. No responsibility for the shortages was fixed by the Director, Food and Supplies (June 2006).

3.4.7 Public Distribution System of foodgrains

The Public Distribution System (PDS) evolved as a major instrument of the Government's economic strategy for ensuring availability of foodgrains i.e. wheat, rice, sugar, etc. to the public at affordable prices particularly to the weaker sections of the society and to control prices by making goods available at Fair Price Shops (FPSs).

[13] 1 Faridabad; 2 Fatehabad; 3 Hisar; 4 Jind; 5 Kaithal; 6 Karnal; 7 Panipat; 8 Rewari; 9 Sirsa and 10 Sonipat.

Keeping in view the need for better targeting, the subsidy by increasing the allocation of foodgrains to BPL families, GOI increased the scale of issue to the BPL families from 20 kg to 25 kg from July 2001 and to 35 per kg per family per month with effect from April 2002. The scale of issue under the APL category was fixed at 35 kg per family per month with effect from 01 April 2002.

In order to make the PDS more focused and targeted towards poorest of the poor (about one crore households), GOI launched Antodaya Anna Yojna (AAY) in December 2000. In Haryana, this scheme was started from May 2001. Foodgrains at the rate of 25 kg per family per month (increased to 35 kg from April 2002) at the rate of Rs two per kg for wheat and at the rate of Rs three per kg for rice against the central issue price of Rs 4.15 per kg for wheat and Rs 5.65 per kg for rice was to be provided to the BPL families. After identification of Antodaya families, distinct ration cards known as "Antodaya Ration Cards" were to be issued to these families. On the direction of the Supreme Court in November 2002, GOI expanded AAY to cover an additional 50 lakh BPL families in country.

As per 2001 census, State's population was 2.11 crore and as on August 2004, it rose to 2.30 crore approximately. Number of Fair Price Shops (FPSs) in the State was 9,242 (urban: 2,670 and rural 6,572). There were 41.12 lakh APL cards (1.81 crore population), 5.56 lakh BPL cards (26.74 lakh population) and 2.26 lakh AAY cards (11.45 lakh population) in the State as of March 2006. As per State Government's decision (November 1992), one FPS was to be set up in each village so that consumers did not have to cover long distance to draw their rations. Against the requirement of 6,955 FPSs (one each for 6,955 villages in the State), there were 6,572 FPSs as of March 2006 leaving a small shortage of 383 shops.

List of BPL/AAY beneficiaries not revised since 2002

State Government was required to get the list of BPL and AAY families reviewed every year for the purpose of deletion of ineligible families and inclusion of eligible families. However, the list of BPL/AAY beneficiaries had not been revised since 2002. As per GOI guidelines, 2.26 lakh households were identified (March 2006) against the target of identifying 2.39 lakh AAY household as per the planned third expansion of AAY. The Director, Food and Supplies intimated (July 2006) that the work of revision of BPL/AAY lists was in progress.

3.4.7.1 Allocation and lifting of wheat

Following table indicates category-wise allocation and lifting of wheat during the last six years ending 2005-06:

Year	Above Poverty Line			Below Poverty Line			Antodaya Anna Yojna		
	Allocation	Lifting	Percentage	Allocation	Lifting	Percentage	Allocation	Lifting	Percentage
	(Quantity in Metric Tonnes)								
2000-01	8640	11	0.1	1,75,920	48,565	28	0	0	0
2001-02	8640	0	0	1,82,541	72,319	40	27,346	23,033	84
2002-03	11,48,838	47,310	4	2,60,892	1,85,980	71	46,968	44,237	94
2003-04	10,14,204	1,00,097	10	2,74,004	2,30,542	84	47,664	46,314	97
2004-05	10,14,204	1,50,821	15	2,57,040	2,18,224	85	71,532	65,730	92
2005-06	8,10,356	14,883	2	1,99,117	1,75,263	88	82,128	76,121	93
Total	**40,04,882**	**3,13,122**	**8**	**13,49,514**	**9,30,893**	**69**	**2,75,638**	**2,55,435**	**93**

An analysis of data given above revealed the following audit observations:

Antodaya Anna Yojna

Short lifting of wheat under AAY by seven *per cent*

During 2001-06, 2,55,435 MTs of wheat was lifted during 2001-06 for distribution to the AAY beneficiaries against allocation of 2,75,638 MTs of wheat by the GOI, which resulted in short distribution of 20,203 MTs wheat valuing Rs 4.04 crore.

Below Poverty Line families

During 2000-06, 13,49,514 MTs of wheat was released by GOI for BPL families against which 9,30,893 MTs wheat was issued to the BPL beneficiaries. This resulted in less distribution of 4,18,621 MTs of wheat valuing Rs 177.91 crore.

Above Poverty Line families

Negligible lifting of wheat for APL families

Only eight *per cent* of the total allocated quantity (40.04 MT) was lifted during 2000-06. Obviously, the APL families were not fully depending on the PDS for their foodgrains requirements.

The Government in its reply stated (June 2006) that there was a limited demand for APL wheat in lean months and distribution to BPL/AAY categories was improving from 2002-03 onwards. No reason/justification, however, was furnished for not reducing the allocation under these categories of foodgrains. Since the quantities were not lifted, the stock remained with FCI. Retaining the stock by FCI defeated the basic objective of providing food security to the downtrodden besides involving avoidable expenditure on storage, interest paid to SBI on funds borrowed for procurement, incidental charges, etc.

3.4.7.2 Wheat meant for APL families sold in open market

Selling wheat meant for APL in open market resulted in misappropriation of Rs 1.11 crore

Large scale irregularities were committed in the distribution of wheat meant for APL families by the officials of Food and Supplies Department and CONFED (regulatory authority) during September-December 2004. Departmental enquiry report of the Commissioner, Rohtak Division, based on statements of depot holders (fair price shopkeepers) and beneficiaries of Karnal district revealed that about 55,455.35 quintals wheat meant for APL people was not actually distributed among card holders but was sold in the open market. The depot holders had prepared bogus records to cover the misuse in connivance with Government officials. As brought out in the inquiry report, official functionaries who were directly responsible for authenticating the record pertaining to distribution of wheat among the depot holders and thereafter cross checking the actual distribution of wheat among card holders, did not perform their duties properly and connived with depot holders. There was a difference of Rs 200 to Rs 250 per quintal between market price and APL price. By selling wheat in the open market, the officers/officials had misappropriated a minimum of Rs 1.11 crore. The delinquent officers/officials[14] had been suspended and charge sheeted (November–December 2005) but no recovery had been made (March 2006).

3.4.7.3 Weaknesses in the delivery system at FPS level

An evaluation conducted by the Programme Evaluation Organisation of the Planning Commission of GOI in March 2005 brought out that more than 55 *per cent* of foodgrains issued from the central pool meant for BPL families were being pilfered in the State against 36.38 *per cent* leakage at national level. The study concluded that 55.65 *per cent* of the subsidized foodgrains issued from the central pool did not reach BPL families in the State due to weaknesses in delivery system at FPS level.

Thus, there is need to look into the diversion and pilferage of foodgrains meant for the needy section of the society.

3.4.7.4 Deficiencies in foodgrains distribution system

In accordance with the guidelines issued by the GOI, it was to be ensured that foodgrains were made available to the beneficiaries during the first week of the month. A scrutiny of records of fair price shops in the test checked districts, however, revealed that foodgrains were being sold to the beneficiaries at the end of the month depriving the families of timely availability of foodgrains.

The State Government had constituted village/ward level (vigilance) committees to oversee the distribution of food items and working of FPSs under PDS. The FPSs were required to obtain monthly certificates in the sale registers from the committee members indicating that food items had been issued properly. During test-check of 58 FPSs[15] by Audit it was noticed that requisite certificate by the committee members was not found recorded on the sale registers of 25[16] FPSs. Availability of stock (12[17] FPSs), issue prices (9[18] FPSs), number of beneficiaries (19[19] FPSs), etc. were also not displayed by the FPS dealers.

14 DFSO, Karnal, Assistant Food and Supplies Officer, Karnal, two Inspectors, Food and Supplies and two Assistant Food and Supplies Inspectors.

15 Fardiabad: 12; Hisar: 21; Jind: 13 and Karnal: 12.

16 Districts Faridabad: 3, Hisar: 10, Jind: 4 and Karnal: 8.

17 Fardiabad: 3; Hisar: 3; Jind: 5 and Karnal: 1.

18 Fardiabad: 4 and Jind: 5.

19 Fardiabad: 4; Hisar: 4; Jind: 3 and Karnal: 8.

3.4.8 Supervision mechanism of PDS

For proper monitoring of the PDS, GOI asked the State Government to constitute Advisory Committees at State, District, Block and Village/Ward levels. It was, however, observed that State, District and Block level committees had not been constituted thus affecting monitoring of the system and redressal of public grievances relating to the working of the FPSs.

As per GOI's guidelines (September 2001), the State Government was required to ensure monitoring of the functioning of PDS at FPSs level through the computer network of National Informatics Centre (NIC) installed in the districts. For this purpose, computerized codes were also to be issued to each FPSs. Scrutiny of records of the offices of DFSCs of districts test checked revealed that no computer network was installed for the purpose.

3.4.9 Conclusions

Aim of the programme was to procure and store foodgrains for central pool at minimum support price in an efficient manner and its distribution to the public particularly to the weaker sections of the society at affordable prices. As brought out in audit, the programme did not function efficiently. There was substantial loss of interest due to failure of the Department in adjustment of advances made for purchase of gunny bales, delay in deposit of cheques in bank account and late receipt of payments from FCI. There were inefficiencies in procurement of foodgrains. The department failed in following the standard terms and conditions of agreements leading to non-receipt of rice from millers. Foodgrains storage arrangements were not satisfactory as storage capacity for foodgrains was inadequate, storage of foodgrains in open and prolonged storage due to non-observance of 'first-in and first-out' principle from stores led to damage of large quantities of wheat, short accounting of moisture gain resulting in pilferage of wheat, etc. Public Distribution System was not effective as allocated quantities of wheat were short lifted under APL, BPL and AAY schemes. Besides, there were cases of issue of foodgrains at the fag end of the month instead of in the first week of month, non-obtaining of certificates by depot holders from village/ward level committees regarding food items having issued to card holders properly, sale of wheat meant for APL in open market, etc. Supervision mechanism of PDS was inadequate as State, District and Block level committees were not constituted and computer networking was not introduced for monitoring the distribution of foodgrains.

3.4.10 Recommendations

With a view to bringing economy and efficiency, following recommendations are made:

- Foodgrains procurement system should be streamlined by enforcing the provisions of agreements regarding bank guarantee or advance rice from millers to avoid any future litigation;

- Covered storage capacity should be increased in view of higher foodgrain procurement targets for the State;
- 'First-in first-out' principle should be strictly followed for delivery of foodgrains from stores to avoid damages;
- List of BPL/AAY beneficiaries should be updated on regular basis to cover poor families; and
- Village/ward level (vigilance) committees should exercise proper control over the functioning of fair price shops; State, District and Block level committees should be constituted immediately to monitor the PDS.
- The system of adjustment of advances made to DGS&D for the purchase of gunny bales should be streamlined by the department to avoid blocking of funds with DGS&D;

These points were referred to Government (October 2005). The replies received thereto had been incorporated in the review. These points had again been referred to Government (May 2006); further replies had not been received (July 2006).

Finance Department
(Directorate of Treasuries and Accounts)

3.5 Information Technology Audit of Online Treasury Information System

Highlights

Online Treasury Information System (OTIS) was to enable the departments to exercise control over financial transactions and to keep the expenditure within the budget allocations. It was also to make the flow of information relating to financial transactions upto date and authentic leaving no scope for excess or unauthorised drawals, diversion of funds, wrong bookings of expenditure, etc. However, the system was functioning with major design deficiencies such as lack of validation checks in utilisation of Head of accounts by a specific Drawing and Disbursing Officer (DDO), acceptance of wrong code of bills, absence of control over the payment of bills against Letter of Credit system, absence of provision for revalidation of bills, etc. The database showed huge inflation in expenditure figures. Segregation of duties for operation of software was not appropriate which had made it difficult to fix responsibility for errors/misclassification of funds, if any, with concerned Data Entry Operators. Data generated through OTIS had limitations for utilisation as Management Information System by the Departments.

- **Test checked treasuries were using different versions of the Online Treasury Information (OTIS) software.**

(Paragraph 3.5.6.2)

- **Due to improper data entry at the bill passing clerk and Treasury Officer levels, the OTIS database depicted an inflated picture of expenditure.**

(Paragraph 3.5.7.1)

- **The procedure for data entry was not followed in the treasuries. In 23,653 cases, the transaction dates (the date on which the bill was received) were shown the dates later than the voucher dates (the date on which the payment was made).**

(Paragraph 3.5.7.3)

- **Though required under Treasury Rules, no provision for revalidation of bills was made in the software. As a result, the database showed in 18,043 cases, involving an amount of Rs 103.63 crore, that the banks had made payments after the currency period of ten days of their passing.**

(Paragraph 3.5.8.1)

- **In the absence of a validation check between the drawing and disbursing officers (DDOs) and head of accounts, a DDO was able to draw and encash bills from a head of account for which he/she was not authorised to operate.**

(Paragraph 3.5.8.2)

- **In the absence of a proper input control, the OTIS application software was accepting all form codes of bills instead of the form codes which the major head of account was required to process.**

(Paragraph 3.5.8.3)

- **The Department had not prepared and documented a disaster recovery and business continuity plan and back up policy.**

(Paragraph 3.5.9.5)

3.5.1 Introduction

3.5.1.1 Finance Department, Government of Haryana is responsible for fostering fiscal discipline through the Directorate of Treasuries and Accounts in the State through 21 district treasuries and 80 sub-treasuries. The treasuries maintain records of financial transactions and exercise necessary checks on flow of funds. According to the strategic plan, a software 'Online Treasuries Information System (OTIS)' was got developed from National Informatics Centre, Haryana State Unit (NIC, HSU); to automate the treasury operations and was made operational from 2001.

3.5.1.2 The OTIS was designed as a web enabled application with Windows 2000 as operating software and MS SQL server at the backend and MS Visual Basic at the front end to provide online query and access. The first version was prepared and operated in the year 2001 and thereafter changes were also incorporated in the OTIS. The system was, however, stabilized from March 2003.

3.5.2 Organisational set up

Treasuries and Accounts Department is headed by the Director, who is assisted by a Joint Director and a Deputy Director. One System Analyst, one Programmer and two Junior Programmers provide technical assistance for operation of the System at Headquarters. In the field, there are 21 Treasury Officers (TOs) and 80 Assistant Treasury Officers (ATOs) with one Superintendent at each treasury. Technical assistance is provided by a Junior Programmer at each treasury.

3.5.3 Objectives of computerisation

The major objectives of OTIS were to enable:

- the departments to exercise desired control over financial transactions by rational allocation of budget to DDOs, thereby enabling TOs to have a tight control over expenditure to keep it within the budget allocations.
- to make flow of information upto date, authentic and consistent leaving no scope for excess or unauthorised drawals, diversion of funds, wrong bookings, etc.

3.5.4 Scope of Audit

Out of the 21 treasuries and 80 sub-treasuries, five treasuries[1] and 19 sub-treasuries *(24 per cent)* were covered in Audit. The treasuries were selected based on State's budget and expenditure during 2003-06. In terms of expenditure, the expenditure incurred by these treasuries worked out to 47 *per cent* of the total expenditure of the State Government.

As the System was stabilized in March 2003, the scope of audit included test-check of data maintained in the treasuries for the period ranging from April 2003 to March 2006 and verification of the controls regarding OTIS.

The data was checked using Audit software tool namely Interactive Data Extraction and Analysis (IDEA).

3.5.5 Audit objectives

The Audit objectives were to assess whether:

- Extent to which hardware that had been procured had been utilised;

[1] Ambala (3), Chandigarh, Hisar (5), Karnal (6), Kurukshetra (5) treasuries and their sub-treasuries in number in brackets.

- The flow of information with respect to expenditure was upto date, authentic and consistent leaving no scope for excess or unauthorised drawals, diversion of funds, wrong booking, etc.;
- Application control specific procedures were in place; and
- General controls had been prescribed and were in place and a documented disaster recovery and business continuity plan was in existence.

Audit findings

3.5.6 Hardware acquisition and system development related issues

3.5.6.1 Investment in Information Technology resources

Rupees 98 lakh remained unspent with HARTRON as of June 2006

As per the Financial Rules, no money is to be drawn from the treasury unless it is required for immediate disbursement. However, the Department deposited Rs 6.50 crore (31 March 2001: Rs 3.50 crore; 31 March 2002: Rs 1.00 crore and 31 March 2003: Rs 2.00 crore) with the Haryana State Electronics Development Corporation Limited (HARTRON), the nodal agency for hardware related purchases for State Government departments. Audit observed that the amounts withdrawn and placed at the disposal of HARTRON remained unspent in the years of their drawal and were carried over to subsequent financial years. HARTRON spent (upto June 2006) Rs 5.52 crore[2] and the balance of Rs 0.98 crore remaining with HARTRON which pertained to release of March 2001 (Rs 0.22 crore), release of March 2002 (Rs 0.20 crore) and release of March 2003 (Rs 0.56 crore).

During scrutiny of records of treasuries test checked and their sub-treasuries, Audit noticed that a large number of PC nodes, servers, UPSs, printers, voltage stabilisers, web cameras, scanners and kerosene oil driven generating sets were either out of order or not put to use (***Appendix XXV***).

3.5.6.2 Lack of change management procedure and simultaneous use of different software versions

Different versions of OTIS software were used at various treasuries

Though the Software developed by NIC, Haryana State Unit (HSU) had been in use since the year 2001, the Department did not prepare a documented procedure to control changes in the software and project documents. Record keeping of changes during entire project life cycle and impact analysis of changes incorporated till February 2006 were also found deficient. Audit observed that the Department had incorporated changes in the software nine times since the release of the version 1.5 in February 2002; the latest version released by NIC, HSU was 2.4. These changes were incorporated in the software without following any documented procedure. Audit found that in the

[2] Out of funds released in March 2001: Rs 3.28 crore; in March 2002: Rs 0.80 crore and in March 2003: Rs 1.44 crore.

absence of any written policy/procedure for using the latest version of OTIS and its implementation from a definite date, various treasuries/sub-treasuries in the State were found to be using different versions of the software ranging from OTIS 1.7 to OTIS 2.4.

Thus, in the absence of a written policy/procedures the management was unable to ensure that the latest version of the software was being used at all levels thereby making data recovery and reconstruction difficult in the event of data loss.

3.5.7 Analytical review of data

The data pertaining to OTIS of five treasuries test checked was analysed using IDEA. Major deficiencies in the database and in the functioning of the treasuries are discussed below:

3.5.7.1 Inflated booking of expenditure in OTIS - database

Under manual procedure a sequential token number is allotted for passing the bills by bill passing clerk and the TO. The passed bills are returned to the DDOs or their authorized messengers for drawing payments from banks. The bank sends the paid bills to the treasury along with detail of payments on daily basis. The treasury then marks voucher numbers on these paid bills. This ensures a clear trail for the bill from the passing to the payment stage. Under this system, keeping control over expenditure with reference to budget provision of each DDO was difficult as average number of DDOs per treasury was about 356. With the operation of OTIS, the TOs were expected to exercise tight control over expenditure.

One of the objectives of the OTIS was to make flow of information upto date, authentic and consistent leaving no scope for excess or unauthorised drawals, diversion of funds, wrong bookings, etc. However, Audit observed a serious flaw in the software application. The bill passing clerk booked the expenditure against budget provision immediately after passing the bill without waiting for clearance by the TO. Moreover, junior programmers were found running the system, who invariably entered ‘Y’ (for Yes) in the system showing the bill had been passed by the TO, whereas, in fact it was passed only by the bill passing clerk. In the event of the rejection/raising of objections on the bill by the TO, the bill was again routed, after corrections by the DDO, through the same process of being passed by the bill passing clerk. Resultantly the expenditure was being booked second time for the same expenditure against the budget provisions. Thus, the system was prone to erroneous and inflated booking of expenditure.

In Chandigarh treasury it was observed that due to above lacunae, the cumulative expenditure figures in the database got inflated by Rs 11.27 lakh in 30 cases (April 2004 to January 2006).

Expenditure of Rs 755.20 crore was shown booked in the database though payments for these amounts had not been made

Audit further noticed that in 29,013 number of cases in the five treasuries test checked where the software showed that the TO had passed the bills while no voucher numbers were allotted to these transactions. This indicates that expenditure was booked against the budget provisions but payments were not made. The cumulative expenditure on such transactions in the database was to the tune of Rs 755.09 crore (Ambala: Rs 51.40 crore, Chandigarh : Rs 396.82 crore, Hisar : Rs 93.10 crore, Karnal : Rs 196.40 crore and Kurukshetra : Rs 17.37 crore) during 2004-06. These bills, according to the database, remained unpaid for a period ranging from 8 to 730 days although booking of expenditure under budget provisions having already been made.

3.5.7.2 Mismatch of expenditure data in OTIS database

Head of Account-wise (up to object codes) cumulative expenditure against budget allocations is maintained at each treasury in the database in Budget File. Each TO sends Head-wise expenditure data daily through ISDN lines to the Director, Treasuries and Accounts in as a transaction file of the database. Thus, the expenditure in two sets of files of the database should be equal over the financial year.

A comparison of expenditure figures of transaction file and the budget file for the year 2004-05 revealed that the amounts in both the files were not equal. In Chandigarh, Karnal and Hisar treasuries, there was mismatch between expenditure figures of both the files in respect of 1,235, 1,372 and 612 records respectively.

Expenditure figures as per budget file and transaction file were not matching

It was noticed that expenditure figures as per transaction file was more than that of in budget file in 828 records to the extent of Rs 787.48 crore (Chandigarh: 184 records: Rs 371.66 crore, Karnal: 357 records: Rs 67.56 crore and Hisar 287 records: Rs 348.26 crore). Further, cumulative expenditure figure was more than the expenditure figure in Transaction file in 2,391 records to the extent of Rs 1,596.15 crore (Chandigarh 1,051 records: Rs 1,066.80 crore, Karnal 1,015 records: Rs 165.68 crore and Hisar 325 records: Rs 363.67 crore).

Reasons for the same were called for from the respective TOs; their reply had not received (July 2006).

3.5.7.3 Non-entry of bills as per procedure

In the treasuries, receipts are deposited into the treasury branch of the designated banks and the data are sent by the bank branch through ISDN line or in a floppy with bank challans for verification at treasury. For payments, when bills are presented by departments at treasuries, a token number is issued and the bill is passed by TO by signing the pay order and the bill is returned to the department for drawing the payment from bank. After the payments are made by the designated bank, the paid bills are returned to the treasury for verification and marking of voucher numbers.

Thus, the software should not allow voucher date in advance to transaction date except in cases of the Forest Department and Pension Payment through banks, which are not routed through treasuries. However, during analysis of

OTIS data of five treasuries test checked, it was observed in audit that in a number of cases transaction date (date of token entry) was a later date than the voucher date which indicates that the payment was made by the bank before presenting the bill at the treasury.

In 23,653 cases, the transaction dates were later dates than voucher dates

In the database of treasuries test checked, 25,923 records (Ambala: 4,170, Chandigarh: 3,981, Hisar: 3,699, Karnal: 3,988, Kurukshetra: 10,085) showed the transactions date later than the date of voucher date. In reply to an audit observation, the TO, Kurukshetra intimated that in case of Forest Department and re-imbursement of pension to bankers, the transactions took place directly in the bank and hence the token numbers were generated later on to reconcile the accounts. The reply was not convincing because data analysis of all the test checked records showed that only 2,270 (8.76 *per cent)* out of 25,923 records pertained to Forest Department and pension through banks while the remaining 23,653 records involving Rs 785.17 crore related to Medical, Education, Labour and Employment, Social Security and Welfare, Public Works Department, bills relating to provident fund, etc.

3.5.7.4 Non-maintenance of details of personal ledger accounts in the application

Control over drawal of funds from PLAs did not exist

The treasuries are required to maintain Personal Ledger Accounts (PLAs) opened with the approval of the Accountant General (A&E) Haryana. It was noticed in audit that PLAs of personal deposits were not being maintained in the OTIS application database in the treasuries test checked except at Karnal treasury. The PLAs were being maintained manually.

As per rules, while passing bills pertaining to PLA, it should be seen that the funds are available in the account. However, Audit observed that in Karnal treasury, the OTIS application did not have a linkage for checking the amount available in the PLAs before passing the bills. As a result of which, the PLA relating to Chief Executive Officer, Zila Parishad, Karnal and Block Development and Panchayat Officer, Karnal had shown minus balances of Rs 2.88 lakh and Rs 2.07 lakh respectively in the month of March 2006.

3.5.8 Application Controls

Application controls are those built in checks in the software, which ensure that transactions are processed according to the rules and regulations governing them. These are absolutely essential to ensure that the data is accurate and reliable. Audit observed a number of deficiencies in the application controls, which are discussed below:

3.5.8.1 Provision for revalidation of bills after expiry of the currency period not made

Control over passing of bills after currency period was lacking in the system

As per Treasury Rule 4.165 relating to currency of payment orders, the payment orders are valid only for a time not exceeding ten days. In case bills are not presented for payment within the currency period of the pay orders, these are to be revalidated by the TO.

During scrutiny of OTIS data, it was noticed that no such provision existed in the software and the bills were being revalidated manually. Test-check of data revealed that in 18,043 cases (involving an amount of Rs 103.63 crore) payments were made by the banks after the period of more than 10 days of their passing and for this no audit trail existed in the database.

Thus, non-incorporation of the revalidation facility in the software restricts the usefulness of the software.

3.5.8.2 Absence of validation check between the DDOs and the Head of Accounts

Absence of control over operation of unauthorized head of accounts by DDOs

As per Treasury Rules, the DDOs are authorised to draw payments by presenting bills in a treasury only in respect of those Head of Accounts which they are authorised to operate.

However, it was noticed in audit that a validation check did not exist in the application between the DDOs and the Heads of Accounts, which they are authorised to operate. Checking of the software at Karnal treasury using DDO code 1575 of Horticulture Department revealed that the system accepted the Major Head 2202-General Education though the DDO was concerned with transactions of Horticulture Department. Thus, absence of validation check created a risk of irregular operations of head of accounts by DDOs which may lead to fraudulent drawal of funds.

3.5.8.3 Non-existence of validation check between the form codes and major head of accounts

Validation checks between the form code and major Head of account did not exist in the system

The bills for payment are presented at a treasury in form of pay bill, Travelling Allowance (TA) bill, medical bill, contingent bill, General Provident Fund (GPF) bill, pension bill, revenue deposit bill, civil court deposit bill, etc. These forms of bills have been assigned different codes in the application.

Audit observed that proper validation linkages were not devised in the application to restrict the transaction in a particular head of account with its respective form code. Test-check of operations of the system revealed:

(i) Major Heads 8782-Cash remittances and adjustments, 8443-Civil deposits, 2071-Pension and other retirement benefits, 8011-Insurance and Pension Fund and 8449-Other deposits, accepted form codes 01 (TA bill), 02 (medical bill), 03 (pay bill) and 06 (contingent bill).

(ii) Head of account ‘2071-Pension and Other Retirement Benefits’, accepted form code of pay bill, TA bill, and contingent bill, etc.

(iii) Head of Account ‘8005’ and ‘8009’ relating to State Provident Fund also accepted the pay bill, TA bill, contingent bill, etc.

In the absence of proper validation checks in the application, there is a risk of payments being drawn against unauthorised form codes resulting in wrong booking of expenditure/drawals in excess of budget provision, etc.

3.5.8.4 No provision for adjustment of abstract contingent bills

Control over drawal of AC bills without submission of DC bills against earlier AC bills was lacking

Treasury Rule 4.49 provides that a certificate should be attached with every Abstract Contingent (AC) bill to the effect that the Detailed Contingent (DC) bills have been submitted to the Controlling Officer in respect of AC bills drawn more than a month before. The DC bill should be submitted to Audit office by the end of the month following the month in which AC bill was drawn.

It was noticed in audit that the application did not provide any information about pending AC bills such as details of DDOs, heads of account and the amount of each such bills. In the absence of provisions for the DC bills (for adjustment of AC bills), the TOs were unable to have a control over AC bills and rights to refusal of payment of AC bills submitted by DDOs even if DC bills for the previous months had not been submitted. This defeats the objective of tight control over the expenditure.

3.5.8.5 Audit trail not properly maintained

There were 52 master database tables and 22 working tables in the application software but important audit trails like 'updated by', 'updated on' and 'updated from' were not incorporated in the software. Moreover, it was observed that though data purge query (for deleting data from various tables) was being run in Ambala and Kurukshetra treasuries, though the time of deletion of data and by whom the data had been deleted along with its authorization were not available in the OTIS database.

Audit also found that in version 2.3 (used by 4 out of 5 treasuries covered in audit, except Hisar), the budget is entered in the budget field as per budget allocation/revised budget allocation, for appropriation and re-appropriation. However, no trail in the OTIS database as to when the original budget allocation/revised budget allocation or changes on account of appropriation/ re-appropriation of budget were made along with its authorisation was in existence.

Non-existence of audit trail in regard to deletion of data increased the risk of unauthorised changes in the master file relating to budget, which may result in drawal in excess over budget provision and on account of absence of trail over paying, the possibilities of fraudulent payments remains in existence.

3.5.8.6 Inadequate controls for processing payment of bills against LOC allocation

As per rules in respect of bills of Public Works Department, the Engineer-in-Chief/Superintending Engineer make Letter of Credit (LOC) allocation for a period of time (one month/three month).

In Karnal treasury, it was observed in audit that when bills were passed against the LOC allocation, there was no effect of transactions and the balance amount against allocation remained the same as a result of which, the TOs/ATOs were forced to exercise check on LOC allocation by maintaining manual records thus defeating a major objective of computerization.

3.5.8.7 Inadequate processing controls for payment of bills against Revenue Deposits/Civil Court Deposits

The system of checking of deposits in Revenue Deposits (RD)/Civil Court Deposits (CCD) was not in place

In terms of orders/decisions of civil courts, the amounts are deposited in Government Accounts as CCD under Head of Account 8443 'Civil Deposits'. Bills are submitted in treasury for releasing payments to various beneficiaries as per decisions of the Civil Courts.

During checking of payment of CCD bills at Hisar, treasury and Shahabad (Kurukshetra), assistance treasury, it was noticed that the software did not pass a bill when the correct deposit particulars were entered and screen showed a message that 'this number did not exist'. However, when the date of deposit was changed to 2001 instead of the actual year of deposit, the bill was passed. This showed that the proper process linkage did not exist in the software for releasing payments of bills against a civil deposit amount.

3.5.8.8 Incomplete Master database of Drawing and Disbursing Officers

In 'OTIS', there is a master data file which had been designed for capturing the data about operational DDOs for monitoring DDO-wise budget and expenditure.

The Department had not laid down any procedure for allotting codes to various DDOs in the State. In the absence of a laid down procedure, the TOs/ATOs were allotting codes to various DDOs as per their convenience.

Checking of OTIS data revealed that in a number of cases, the description of the DDO was incomplete. Common DDO-Codes were allotted by the TOs. The TO, Hisar and its Assistant Sub-TOs Adampur, Barwala, Hansi, Narnaund and Uklana Mandi allotted the same code to their different DDOs. This would substantially limit the usefulness of data for MIS purpose.

3.5.9 Major Audit Findings on General Controls

General controls are the policies and procedures, which govern the environment in which Information Technology is used in an organization. The deficiencies noticed were as follows.

3.5.9.1 Lack of Information Technology Security Policy

Treasuries and Accounts Department had not formulated and documented security policy regarding the security of Information Technology (IT) assets, software and data security even after five years of OTIS operation.

3.5.9.2 Inadequate Access Control Mechanism

There was no well-defined and documented password policy. Normal password control procedures like restriction on unsuccessful login attempts by the users or automatic lapse of password after a predefined period and system enforced periodical change of passwords after a certain period were nonexistent. Moreover, the system did not generate any logs to record the number of failed login attempts.

3.5.9.3 Deficiencies in ensuring segregation of duties

The principle of segregation of duties was not adopted

- Audit observed that there was no policy and documentation relating to the procedure for assigning the duties for working on the software. Since the major work was being performed in the field offices (treasuries and sub-treasuries), the TOs assigned duties to various officials working on OTIS. However, it was found that the Junior Programmers, on behalf of the TOs were creating users and assigning rights and privileges to them.

There was no clear segregation of duties in the treasuries. Though a table was maintained in the application for keeping audit trail of system use, its data was erased every month on starting of a new month for verification of bills/receipt challans of the subsequent month. Audit noticed that the application continued to have users with active privileges even after their death, transfer or being on leave. The deficiencies noticed in Chandigarh treasury were as under:

(i) Shri Kuldeep Kumar expired on 7 January 2006 but his user name was found functional from 8 January 2006 to 19 January 2006 in respect of 446 records.

(ii) Smt. Murti Devi was relieved from the treasury on 21 December 2005 but her user name was found functional during the period from 31 December 2005 to 19 January 2006 in respect of 457 records.

(iii) Shri Babu Ram was on leave on 6 January 2006 but his user name was found functional on that date in respect of 217 records.

- The OTIS application provides for different roles for the users as per the functioning of the treasury office viz. token entry, bill passing by bill passing clerk, bill passing by TO, payment verification of bill and challan verification. The users had been created for performing specific functions in the OTIS to create a system of checks and balances. However, it was observed in audit that there were interchanges of treasury personnel performing the duties which greatly diluted the responsibility and accountability for duties performed while using the software. Important cases noticed in audit were as follows:

(i) Junior Programmers were functioning both as Data Entry Operators and Computer Operator in addition to their own duties at Chandigarh, Karnal and Kurukshetra treasuries.

(ii) Bill Passing Clerks were found performing duties of token clerk and TO/Junior Programmers in addition to their duties at Ambala and Karnal treasuries.

(iii) The TO, Karnal was performing duties of token clerk, bill passing clerk, Receipt and Payment Assistant in addition to his own duties.

(iv) One official at Hisar was using three users’ codes in addition to his own user code and was performing duties of Token Clerk and TO/Junior Programmers.

This created an uncontrolled environment in which IT operations were run and completely negated the concept of separation of duties to prevent misuse of the system.

3.5.9.4 Deletion of data from tables

In treasuries and sub-treasuries, the first stage of processing a bill is issue of token number and the last stage is issue of voucher number for each bill paid by designated bank(s). The OTIS application allots token numbers and voucher numbers serially. The token number and vouchers should have one to one correspondence as these were to be issued sequentially.

In Chandigarh treasury, it was noticed that there were gaps in the voucher numbers and token numbers and there remained no trail for the transactions, which could have explained the data that have been deleted representing these missing vouchers and tokens numbers.

Since the OTIS software permitted such deletion, it was a serious threat to the security of data and un-authorised deletion of transactions which had wider ramifications particularly in a situation where inadequate access control mechanism and weak segregation of duties exists as discussed in paragraph 3.5.9.2 and 3.5.9.3 creating risk of over payments.

3.5.9.5 Lack of disaster recovery and business continuity plan

Disaster recovery and business continuity plan and back up policy was not formulated

The OTIS is a critical system relating to processing of various bills, authorizing payments, preparing DDO-wise and Head wise (up to object code) daily receipt and payment accounts and submission of accounts relating to expenditure and receipt on behalf of the State Government (along with vouchers and challans) to the Accountant General (A&E). If the system comes to a halt, bills would not be passed and accounted for in time. Moreover, day-to-day ways and means position will not be readily available to the Finance Department. In the absence of which important decisions of the State Government relating to release of funds are likely to be adversely affected.

- It was observed in audit that the Department had not formulated and documented any Disaster recovery policy. There were no documented procedures indicating frequency for taking back up of data, its storage and frequency of testing/checking. The TOs were taking backups as per their convenience. The back up data was not stored at a separate location in fireproof cabinets and the back up was not tested regularly. The data back up was being stored on the same server and back up CDs in the same location. This defeated the very purpose of keeping back ups.
- Each treasury had two servers with the second server serving as a standby. It was observed that both the servers were located in the same computer room of the treasury office. Thus, in the event of a disaster, the treasuries would not have a fall back/standby options.

3.5.10 Conclusions

Though the OTIS software has been stated to have been stabilized and in operation in Haryana for the last 3 years, the system was found to be running with major design deficiencies such as absence of validation check between DDO and Head of Account, accepting wrong form codes of bills, inadequate processing control for payment of bill against Letter of Credit and non provision for revalidation of bills. As the system had poor processing controls, the database showed huge inflation in the figures of expenditure. The application was being run in a poorly controlled environment with weak segregation of duties, which in conjunction with lack of audit trails makes it extremely difficult to fix accountability/responsibility on those who had performed duties using the software. The software needs to be improved upon to get the desired benefit out of the computerization efforts.

3.5.11 Recommendations

- The Department should ensure that all the treasuries utilize the latest and comparable version of the software.
- The software application should be improved by incorporating necessary inputs/processing controls which will facilitate revalidation of bills, validation checks between DDOs and Head of accounts, control check for payment of bills against letter of credit allocation.
- Proper segregation of duties should be enforced to prevent frauds and to establish accountability.
- The department should formulate a well defined password policy, data back-up policy and a disaster recovery plan.

The points were referred to the Government (June 2006); reply had not been received (July 2006).