

## OVERVIEW

The Report includes two Chapters containing observations on Finance and Appropriation Accounts of the Government of Haryana for the year 2005-06 and three others comprising 6 reviews and 20 paragraphs dealing with the results of performance audit of selected programmes and schemes as well as audit of the financial transactions of Government.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on judgement basis. The specific audit methodology adopted for programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and recommendations made taking into consideration the views of the Government.

A summary of the financial position of the State and the audit findings is given below:

### 1. Finances of the State Government

The State had a revenue surplus of Rs 1,213 crore in 2005-06 as compared to a revenue deficit of Rs 258 crore in previous year. The plan expenditure was only 26 *per cent* of total expenditure while the share of capital expenditure was only 11 *per cent*. Salaries, pensions, interest payments and subsidies consumed 61 *per cent* of the revenue receipts of the year. The arrears of revenue which stood Rs 1,432 crore as on 31 March 2006 were increasing year by year, though during 2005-06 there was revenue surplus of Rs 1,213 crore mainly on account of increase in revenue receipts by Rs 2,704 crore.

Return on Government's investments in statutory corporations, companies, cooperative banks and societies was negligible and the Government continued to invest in loss making corporations and companies.

In addition to investment, the Government has also provided loans and advances as well as subsidies to many of these companies, besides giving guarantees for loans raised by them. During 2002-06, the gap between the interest on capital borrowed for investments and returns therefrom has increased.

### 2. Appropriation and Control over Expenditure

As against the total appropriation of Rs 18,270.25 crore, the actual expenditure during 2005-06 was Rs 17,071.50 crore resulting in final saving of Rs 1,198.75 crore. Supplementary provision of Rs 644.51 crore obtained during the year proved unnecessary in view of final saving. In seven cases, the entire budget provision aggregating to Rs 1,125.46 crore remained unutilised.

The expenditure of the Government exceeded the budget provision during the year in four grants/appropriations by Rs 268.87 crore. Such excesses aggregating to Rs 226.80 crore pertaining to the year 2004-05 had not been regularised (July 2006).

### **3. Sarva Shiksha Abhiyan**

Sarva Shiksha Abhiyan aimed at bringing all children in school, alternate school and back to school camp by 2005 and at increasing the coverage of special focus group (girls and SC/ST children) which 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 equipment, the quality of educational standards has not improved, as pass percentage in the Class VIII Board examination in some of the schools in test checked districts was very low. Against the approved budget provision of Rs 459.16 crore, only Rs 232.15 crore were spent. There were instances of diversion of funds amounting to Rs 28.29 crore and purchases worth Rs 1.46 crore without sanction. Requirements and printing of textbooks did not match, as a result 23,414 textbooks printed in excess were lying in stock. No Internal Audit system was set up in the Haryana Prathmik Shiksha Pariyojna Parishad. Monitoring of the programme by the General Council and Executive Committee was ineffective.

*(Paragraph 3.1)*

### **4. Construction of State Highways, District Roads and Bridges**

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. Due to improper planning, construction of 13 roads and bridges at an estimated cost of Rs 57.04 crore were taken up without getting the trees/electric poles removed/shifted from road alignment areas. 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 and delays in completion ranging from 7 to 21 months. An avoidable extra expenditure of Rs 9.09 crore was incurred on repairs to damaged roads due to inadequate drainage system along the roadsides. 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)*

## **5. Working of Mewat Development Agency**

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. The Board failed to recover beneficiaries share of Rs 2.20 crore in the absence of a policy. 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. 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. 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. 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. Implementation of the schemes was not got evaluated to assess the impact on economic status and social well being of the people of the area.

*(Paragraph 3.3)*

## **6. Food Security, Subsidy and Management of Foodgrains**

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 FCI and distribution of foodgrains to targeted population. The Department suffered a loss of interest of Rs 1.36 crore due to release of advances without making adjustment of previous funds available with Director General, Supplies and Disposal, Kolkata. 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. 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. Moisture gain on 30.21 lakh quintals of wheat was short accounted, indicating misappropriation/pilferage of 23,000 quintal of wheat valuing Rs 1.40 crore. Misappropriation of Rs 1.11 crore was also noticed on account of selling of wheat meant for APL families in open market.

*(Paragraph 3.4)*

## **7. Information Technology Audit of Online Treasury Information System**

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. Treasuries were not using latest versions of the software uniformly throughout the State. The Department had not prepared and documented a disaster recovery and business continuity plan and back up policy.

*(Paragraph 3.5)*

## **8. Internal Control System and Internal Audit Arrangement in Social Justice and Empowerment Department**

Internal Control System is an integral process by which an organisation governs its activities to effectively achieve its objectives. It provides an assurance to the management for minimizing the risk of errors, irregularities and protecting resources against loss due to waste, abuse and mismanagement. An audit evaluation of the internal control system and internal audit arrangements in Social Justice and Empowerment Department revealed weaknesses in the internal control mechanism of the Department. Maintenance of cash book and its reconciliation with the treasury schedules were found to be deficient which was fraught with the risk of misappropriation of funds remaining undetected. Pension amounting to Rs 1.29 crore was disbursed to pensioners without proper identification as required under the rules. Though an Internal audit wing existed, no manual was prepared to regulate its activities. As a result Internal Audit of units was heavily in arrears and settlement of Audit paragraphs, besides the department was denied the valuable inputs of internal audit.

*(Paragraph 5.1)*

## **9. Results of Transaction Audit**

Audit of Financial transactions, subjected to test-check, in various departments of the Government and their field functionaries revealed instances of embezzlement, losses and wasteful spending of over Rs 29.47 crore as mentioned below:

There was possible embezzlement of Rs 14.38 lakh in revenue department due to non-observance of financial rules and non-exercise of prescribed checks by Drawing and Disbursing Officer. This could have been avoided if the system

of internal audit existed in the office of Deputy Commissioner, Sonipat, which was not existing there.

Excess payment/wasteful and infructuous expenditure of Rs 19.16 crore<sup>1</sup> was noticed in Audit.

These cases of wasteful expenditure included a case of non-availment of Central Excise Deputy exemption in purchase of pipes for water works due to delay in issuance of instructions.

There were violations of contractual obligations, undue favour to contractors and cases of avoidable expenditure amounting to Rs 1.09 crore<sup>2</sup>.

Audit also came across instances of idle investment and blocking of funds involving Rs 9.07 crore<sup>3</sup>.

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<sup>1</sup> Public Works Department (Irrigation Branch): Rs 19.17 lakh; Home Department: Rs 12.63 crore; Town and Country Planning Department (Haryana Urban Development Authority): Rs 40.57 lakh; Women and Child Development Department: Rs 1.57 crore; Health Department (Pandit Bhagwat Dayal Sharma Post Graduate Institute of Medical Sciences, Rohtak): Rs 21.79 lakh; Education Department (Maharshi Dayanand University, Rohtak): Rs 45.39 lakh; Forest Department: Rs 24.31 lakh; Police Department: Rs 1.80 crore; Transport Department: Rs 31.44 lakh; Planning Department (Chief Planning and Development Officer) and Irrigation Department: Rs 73.52 lakh and Public Works Department (Public Health Branch) Rs 60.23 lakh.

<sup>2</sup> Town and Country Planning Department (Haryana Urban Development Authority): Rs 52.16 lakh; Public Works Department (Buildings and Roads Branch): Rs 30.72 lakh and Transport Department: Rs 26.16 lakh.

<sup>3</sup> Town and Country Planning Department (Haryana Urban Development Authority) and Urban Development Department: Rs 8.09 crore and Transport Department: Rs 97.98 lakh.