

Chapter –IV

AUDIT OF TRANSACTIONS

Audit of the transactions of the Departments of Government, their field formations as well as that of the autonomous bodies brought out several instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs under broad objective heads.

4.1 Fraud/misappropriation/embezzlement/losses detected in audit

Food and Supplies Department

4.1.1 *Loss due to lack of supervision and improper storage of wheat stock*

Improper storage, lack of supervision and non-conducting of physical verification of wheat stock resulted in loss of Rs 3.35 crore.

The Food and Supplies Department procures foodgrains for Central Pool of Fair Average Quality on minimum support price and delivers it to the Food Corporation of India (FCI). The Department was responsible for its custody in terms of quality and quantity till its delivery to FCI. Physical verification of stock was required to be conducted twice a year by the District Food and Supplies Officer/Assistant Food and Supplies Officer. Monthly returns in Form PR-38 and PR-35 indicating the quality/quantity of stock and shortage/excess of stock respectively were also required to be submitted to the Directorate office.

During test-check of records of District Food and Supplies Controller, Panipat in September 2004, blockade of funds due to non-delivery of 4,020 MT wheat valuing Rs 2.52 crore to the FCI was observed. As the Department did not produce the basic records¹, the loss on account of shortage/mis-appropriation could not be quantified. However, the Department in response to audit observation, carried out physical verification of stock (April 2005) which showed 2,514 MT of damaged wheat pertaining to crop years *Rabi*-2002, 2003 and 2004 and shortage of 949 MT wheat. The damaged wheat was finally auctioned (March-April 2006) to the private parties for Rs 56.06 lakh. The economic cost of 3,463 MT (2,514 MT+949 MT) wheat worked out to Rs 3.91 crore. Thus, improper maintenance of stock, prolonged storage of wheat and failure in delivering of stock on first-in-first-out (FIFO) principle coupled with lack of supervision by the controlling officers and non-conducting of physical

¹ PR-38 indicating quality and quantity of stock, PR-35 showing the shortage/excess of stock.

verification of stock resulted in a loss of Rs 3.35 crore (Rs 3.91 crore-Rs 0.56 crore) to the Department.

While accepting the facts, Financial Commissioner and Principal Secretary to Government of Haryana, Food and Supplies Department in his reply stated (August 2007) that physical verification could not be completed in time due to non-cooperation of staff posted at Procurement Centre and monthly return in Form PR-35 was not sent by the DFSC as stock was not despatched to FCI. A team of high ranking officers of head office was constituted (February 2007) for physical verification of stocks, inspection of record and to point out irregularities. The team reported shortage in the stock and also damage to a major portion of the stock. Disciplinary proceedings had been initiated against the defaulting officials for their negligence, the final outcome of which was pending.

4.2 Excess payment/wasteful/infructuous expenditure

Public Works Department (Irrigation Branch)

4.2.1 Unfruitful expenditure due to non-construction of watercourses

Due to non-construction of watercourses the expenditure of Rs 4.34 crore incurred on construction of five channels was rendered unfruitful.

State Government approved (March 1999) Rewari Lift Irrigation Project (consisting of 15 irrigation channels) under Rural Infrastructure Development Fund IV (RIDF IV) of National Bank for Agriculture and Rural Development (NABARD) for Rs 46.50 crore for irrigating 74,083 *acres* of Cultivable Command Area (CCA).

Test-check of records (June 2006) of the Executive Engineer, Rewari Lift Irrigation Water Services Division, Jhajjar revealed that five² Irrigation channels which were constructed between May 2001 and July 2004 at a cost of Rs 4.34 crore were either not being used or being used very marginally since their completion. Against the creation of irrigation potential for 17,641 *acres* of land, only 8 to 10 *acres* were irrigated during 2005-07.

Thus, due to inaction on the part of Irrigation Department, the watercourses could not be constructed, as a result of which, the irrigation potential created was not utilised and the expenditure of Rs 4.34 crore incurred thereon rendered unfruitful.

The Executive Engineer of the Division while admitting the facts stated (January 2007) that less area was irrigated due to non-construction of watercourses by the farmers and water released was being used for drinking and

² Gurana sub-minor, Muzaphara sub-Minor, Faridpur sub-Minor, Daultabad Minor and Hansawas Minor.

filling of village ponds for cattles. The reply was not acceptable as the scheme was conceived for irrigation purposes. The watercourses were required to be constructed by the Command Area Development Authority and maintained by the farmers.

The matter was demi-officially reported to the Financial Commissioner and Principal Secretary to Government of Haryana, Irrigation Department in March 2007; reply had not been received (August 2007).

Town and Country Planning Department (Haryana Urban Development Authority), Public Works Department (Irrigation and Public Health Branches) and Home Department

4.2.2 Extra expenditure on account of delayed payment of land compensation and interest thereon

Determination of the value of the land at higher rates in violation of provisions of the Land Acquisition Act, delay in announcement of awards and erroneous calculation of interest resulted in extra expenditure of Rs 11.55 crore.

Land Acquisition Act, 1894 (the Act) provides that the Land Acquisition Collector (LAC) shall make an award for land compensation in accordance with the value of land on the date of publication of notification under Section 4 of the Act. In addition, an amount calculated at the rate of 12 *per cent* per annum from the date of notification to the date of award and 30 *per cent* solatium on the market value is also payable under Section 23(1) and 23 (2) of the Act *ibid*. Further, Section 48 of the Act provides that whenever the Government withdraws from any acquisition, the collector shall determine the amount of compensation due to damage suffered by the owner in consequence of the notice or of any proceedings thereunder. Audit observed cases of extra expenditure, loss on account of payment of interest on land compensation, etc. in four offices amounting to Rs 11.55 crore as detailed below:

Brief of the case	Rupees in crore
1. Haryana Urban Development Authority	
(a) Notifications under Sections 4 and 6 of the Act for acquisition of 101.86 <i>acre</i> land of five villages ³ of Gurgaon district for development of Urban Estate were issued (June 2003 and June 2004). Haryana Urban Development Authority (HUDA) deposited (October 2004) Rs 15.26 crore as worked out by the LAC Gurgaon on the basis of prevailing rate ranging between Rs 2.80 lakh and Rs 12 lakh per <i>acre</i> applicable with effect from February 2002, 30 <i>per cent</i> solatium and additional amount at the rate of 12 <i>per cent</i> per annum admissible under the Act. However, before the award could be announced, the Divisional Level Price Fixation Committee, Gurgaon enhanced the compensation rate of land of the area to Rs 15 lakh per <i>acre</i> in July 2005 and LAC Gurgaon demanded (August 2005) an additional amount of Rs 8.74 crore for announcing the	9.16

³ Wazirabad, Tigra, Samaspur, Badshapur and Ghatta.

<p>award. HUDA deposited the claimed amount in December 2005.</p> <p>The LAC while ignoring the rate prevailing at the time of publication of notification under Section 4 of the Act and announced (December 2005) five awards amounting to Rs 23.18 crore at the Divisional Level Price Fixation Committee's rate of Rs 15 lakh per <i>acre</i> plus 30 <i>per cent</i> solatium and additional amount at the rate of 12 <i>per cent</i> per annum on the value of land, for acquisition of land measuring 96.14 <i>acre</i>.</p> <p>Thus, determination of the value of the land at higher rates in violation of provisions of the Act resulted in extra expenditure of Rs 9.16 crore to HUDA.</p>	
<p>(b) Notifications under Sections 4 and 6 of the Act were issued in October 1982 and October 1983 respectively to acquire 239.23 <i>acre</i> land in village Khairpur (District Sirsa) for development of sector 19 and 20 of Urban Estate, Sirsa. However, before the announcement of the award it was decided to acquire the land in phases. Consequently, the award for 48.42 <i>acre</i> land was announced in May 1984 and the balance land was withdrawn from acquisition.</p> <p>Notifications for acquisition of 268.49 <i>acre</i> land (including 190.81 <i>acre</i> land withdrawn from acquisition in May 1984) under Sections 4 and 6 of the Act were again issued in November 1992 and November 1993 respectively. However, this time again only 118.90 <i>acre</i> land was acquired (November 1995).</p> <p>Six farmers whose land was withdrawn from acquisition in May 1984 and November 1995 filed an appeal (August 2000) before the Additional District Judge (ADJ), Sirsa praying for the compensation for the loss due to repeated withdrawals from acquisition of their land. The Court awarded (September 2004) compensation of Rs 19.46 lakh to the land owners which was paid by HUDA in December 2005.</p>	0.19
<p>2. Kaithal Water Services Division, Kaithal</p>	
<p>Notification under Section 4 of the Act for acquisition of 28.18 <i>acre</i> land of six⁴ villages of Kaithal and Kurukshetra Districts for construction of Deora Minor from RD 0 to 23,300 was issued in December 2004. Declaration under Section 6 of the Act <i>ibid</i> was made in March 2005.</p> <p>The LAC, Public Works Department (Irrigation Branch), Ambala announced five awards (between January and March 2006) for the land pertaining to five⁵ villages measuring 26.58 <i>acre</i> at the rate of Rupees five lakh per <i>acre</i> instead of collector's rates of Rs 2.40 lakh (Kaithal) and Rupees three lakh (Kurukshetra) per <i>acre</i> prevailing at the time of publication of notification under Section 4 of the Act. The compensation amounting to Rs 1.91 crore which included 30 <i>per cent</i> solatium and other allowances admissible under the Act from the date of notification under Section 4 of the Act to the date of Award was paid between January 2005 and September 2006. The difference between the collector rates and the awarded rates worked out to Rs 94.96 lakh.</p> <p>Thus, announcement of awards by LAC at higher rates than the collector rates prevalent at the time of publication of notification under Section 4 in violation of provisions of the Act had resulted in extra financial burden of Rs 94.96 lakh on the State exchequer.</p>	0.95
<p>3. Public Health Division No. 1, Sonipat</p>	
<p>The LAC, Gurgaon announced (February 1995) the award for acquisition of 38 <i>acre</i> 6 <i>kanal</i> land in village Dhanwapur for Rs 1.97 crore for construction of 71 million litre per day capacity (MLD) Sewerage Treatment Plant (STP) for Gurgaon. The Additional District Judge, Gurgaon (ADJ) in response to landowners appeal enhanced the land compensation (November 1998) by Rs 240 per square yard plus other compensation provided in the Act.</p> <p>The Department did not pay the enhanced land compensation and filed the stay petition in the Hon'ble High Court. Consequently the land owners filed execution petition in the court of ADJ Gurgaon. The Hon'ble ADJ observed (July 1999) that Hon'ble High Court had not granted stay</p>	0.46

⁴ District Kaithal: Balwanti, Deora, Jaswanti, Keorak and Nauch; District Kurukshetra: Thana.

⁵ District Kaithal: Balwanti, Jaswanti, Keorak and Nauch District Kurukshetra: Thana.

<p>and suggested three alternatives to the Department; (i) to make payment in the court with a request that the payment should not be disbursed to the land owners till the decision of the Hon'ble High Court, or (ii) to make payment to the land owners against bank guarantee/security, or (iii) to make payment in part with the commitment to make the balance payment in a specified period. The Department did not act on any of the above alternatives. The Hon'ble High Court granted stay (July 1999) on the execution of orders of the Hon'ble ADJ. However, the stay was vacated in December 2003. Part payment of enhanced compensation amounting to Rs 4.44 crore (between July 2004 and September 2006) including interest amounting to Rs 2.15 crore was paid to the land owners.</p> <p>Net loss on account of interest payment, after deducting the amount of interest that had been saved by retaining the fund with the Government, worked out to Rs 45.91 lakh.</p>	
<p>4. Superintendent of Police, Panchkula</p>	
<p>The State Government issued notifications (August 1997 and August 1998) under Sections 4 and 6 of the Act for acquisition of 53 acre 4 kanal and 4 marla land of villages Naggal Moginand and Bana Madanpur (Panchkula) for the construction of building of Police Line, Panchkula and quarters for police personnel. The LAC, Panchkula announced (July 2000) the award for Rs 2.16 crore. Aggrieved with the award of LAC, the land owners filed (February 2001) an appeal with ADJ, Panchkula for enhancement of land compensation. The Court awarded (November 2004) the land compensation at the flat rate of Rs 6.44 lakh per acre. The Department filed (March 2005) stay petition against the judgement in Hon'ble High Court which was dismissed (April 2005). The Department deposited an amount of Rs 6.18 crore⁶ (enhanced land compensation, 30 per cent solatium and additional amount at the rate 12 per cent per annum: Rs 3.46 crore and interest Rs 2.72 crore) between November 2005 and December 2006.</p> <p>Had the Department made the payment of enhanced land compensation immediately after the stay application was dismissed by Hon'ble High Court in April 2005 instead of making payment during the period between November 2005 and December 2006, the Department could have avoided the payment of interest amounting to Rs 46 lakh at the rate of 15 per cent for the intervening period.</p> <p>Further, LAC, Panchkula had asked department (August 2006) to deposit additional amount of Rs 1.17 crore on account of interest calculated as it was not calculated correctly in the initial payment. The department without any verification of the claim deposited the amount in the Court. However, audit observed that the LAC, Panchkula worked out the interest on the entire amount including principal amount of enhanced land compensation whereas, interest was payable upto the date on which principal amount of enhanced land compensation, solatium and additional amount was paid. The correct amount of interest worked out to Rs 2.02 crore, whereas and the Department had paid Rs 2.35 crore. This has resulted in excess payment of interest of Rs 0.33 crore to the landowners.</p>	0.79
Total	11.55

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Date of payment	Land enhanced compensation, solatium and additional amount	Interest	Total
(Rupees in crore)			
26 November 2005	2.75	1.17	3.92
	0.59	0.25	0.84
7 April 2006	0.12	0.11	0.23
4 July 2006	0.01	0.01	0.02
5 December 2006	(-) 0.01	1.18	1.17
Total	3.46	2.72	6.18

All the above points were demi-officially reported to the Financial Commissioners and Principal Secretaries to Government of Haryana of the Departments concerned (between March and May 2007), their reply had not been received (August 2007).

Environment Department (Haryana State Pollution Control Board)

4.2.3 Inadmissible reimbursement of conveyance allowance

Inadmissible reimbursement of conveyance allowance amounting to Rs 48.51 lakh was made by Haryana State Pollution Control Board to its employees in violation of State Government instructions.

The State Government issued (October 1998) instructions to all the Departments/ State Public Enterprises/Institutions that Dearness Allowance, House Rent Allowance, City Compensatory Allowance, Conveyance Allowance, Medical Allowance, Travelling Allowances and other incentives granted to the employees of all State Enterprises/Institutions should not under any circumstances exceed those admissible to the State Government employees. No conveyance allowance was admissible to State Government employees except to blind and orthopedically handicapped employees.

Test-check of records (May-June 2006) of Haryana State Pollution Control Board (HSPCB) showed that the Board of Directors in their 121st meeting held in March 2002 approved the scheme of reimbursement of conveyance allowance to its employees in violation of aforesaid instructions at the following rates:

Basic pay	Type of vehicle	Monetary/Petrol per month
Rs 3,000 (pre-revised) and above	Car	50 litres
Rs 1,200 (pre-revised) and above	Scooter/Motor Cycle	25 Litres
No pay limit	Moped	12 litres
Other not covered by any of the above	For Public Transport.	Rs 140

Consequently, HSPCB reimbursed conveyance allowance amounting to Rs 48.51 lakh to its employees during the period from April 2002 to October 2006.

Thus, the reimbursement of the conveyance charges of the employees by HSPCB was inadmissible and in contravention to the instructions of the Government.

The Commissioner and Secretary to Government of Haryana, Environment Department stated (December 2006) that HSPCB was a corporate body constituted under the Act of Government and internal management of its resources was well within the domain of the HSPCB. Management while adopting agenda item of conveyance allowance had not envisaged the concurrence of the Finance Department.

The Reply was not tenable as the instructions of the Government issued in October 1998 were applicable in respect of all the State Enterprises/Institutions

irrespective of whether those were constituted under the Act of the Government or otherwise.

Transport Department

4.2.4 Avoidable excess payment of additional passenger tax

Operating of buses on temporary permits by making payment on 28 days basis instead of quarterly basis by five depots of Haryana Roadways in Uttar Pradesh territory resulted in avoidable excess payment of additional passenger tax of Rs 33.01 lakh.

Haryana Roadways was operating its buses in Uttar Pradesh (UP) on some routes continuously without mutual agreement by obtaining temporary permits and paying additional passenger tax at the rate of Rs 400 per seat for each spell of 28 days. As per amendment made (August 2004) in Section 6 of Motor Vehicle Taxation Act, 1997 by UP Government, additional passenger tax was payable at the rate of Rs 882 per seat per quarter in cases where there was no mutual agreement between the States for operating the buses in their territories.

Test-check of records (April-August 2006) and further information collected (March-April 2007) revealed that five⁷ depots of Haryana Roadways operated their buses between August 2004 and April 2007 on temporary permits by making payments on 28 days basis instead of quarterly basis and paid Rs 1.03 crore as additional passenger tax at the rate of Rs 400 per seat. Had these depots made payments at the rate of Rs 882 per seat per quarter, an amount of Rs 33.01 lakh⁸ could have been saved.

Thus, payment of additional passenger tax on 28 days basis instead of quarterly basis in UP territory without mutual agreement resulted in avoidable excess payment of Rs 33.01 lakh.

On being pointed out in audit, the Transport Commissioner stated (June 2007) that five depots, which had paid additional passenger tax at the rate of Rs 400 per seat per month in UP, did not receive the revised list of rates of Rs 882 per seat per quarter. He further justified that as the revenue realised from these routes was much higher than that of the routes operated within Haryana, there was no loss to the Government.

The reply was not tenable, as the Department should have provided the revised list of rates to these depots in time to avoid excess payment of additional Passenger tax. The depots could have earned more revenue if the tax had been paid at revised rates.

⁷ Ambala, Chandigarh, Karnal, Kurukshetra and Yamunanagar.

⁸ Ambala: Rs 2.21 lakh, Chandigarh: Rs 7 lakh, Karnal: Rs 4.43 lakh, Kurukshetra: Rs 8.01 lakh and Yamunanagar: Rs 11.36 lakh.

The matter was demi-officially reported to the Financial Commissioner and Principal Secretary to Government of Haryana, Transport Department in May 2007; reply had not been received (August 2007).

4.3 Violation of contractual obligations, undue favour to contractors and avoidable expenditure

Public Works Department (Buildings and Roads Branch)

4.3.1 Avoidable expenditure on premature laying of carpet on road

Premature laying of carpet on the road from Ladwa-Pipli (km 59 to 75.80) by Provincial Division II, Kurukshetra had resulted in avoidable expenditure of Rs 5.96 crore.

According to norms fixed by the department, renewal coat on roads is laid after an interval of five years where bitumen has been used. Accordingly, every year certain stretches of a road are selected in such a manner that the work of renewal coat on the entire length of the road is completed within a cycle of five years.

Test-check of records (November 2005) of Provincial Division II, Kurukshetra revealed that the work of periodic maintenance of Yamunanagar-Pehowa road (Length: 72.34 kms) involving 50 mm thick bitumen macadam (BM) of periodic maintenance, bituminous tack coat, 20 mm type A seal surfacing lean bitumen macadam (LBM) and prime coat was executed under Haryana Highways Upgradation Project (HHUP) between November 2000 and May 2003 at a cost of Rs 10.19 crore. This work included the stretch of km 59 to 75.80 (16.80 km) from Ladwa to Pipli where the work was executed between March 2002 and September 2002.

The work for improvement by providing and laying tack coat over existing black top surface, 75 mm thick compact LBM, 75 mm thick compact BM, 20 mm thick premix carpet, and type B seal coat on the road from km 59 to 75.80 (from Ladwa to Pipli) was again allotted in December 2004 at a tendered cost of Rs 4.80 crore. The work was completed (March 2006) after spending Rs 5.96 crore. Thus, premature laying of carpet on the road before the expiry of the prescribed period of five years in contravention to the norms fixed by the department had resulted in avoidable expenditure of Rs 5.96 crore.

The Engineer-in-Chief, Public Works Department (Buildings and Roads Branch) stated (May 2006) that traffic intensity as per census of May 2004 on this road was 16,082 vehicles per day including 2,264 heavy vehicles which had increased due to introduction of toll tax barrier on Grand Trunk Road near Karnal and majority of heavy vehicles had started using this road for going to Karnal via Ladwa-Indri. As the earth on this road patch was clayey, the heavy intensity of

traffic and advent of heavy axle load caused cracks on the surface and as such the strengthening of this road was necessary. Reply was not acceptable as the traffic census report showed that the traffic intensity had in fact decreased from 21,270 to 16,082 vehicles per day and heavy traffic had also decreased from 3,763 to 2,264 vehicles per day during the period between May 2002 and May 2004.

The matter was demi-officially reported to the Financial Commissioner and Principal Secretary to Government of Haryana, Public Works Department (Buildings and Roads Branch) in March 2007; reply had not been received (August 2007).

Agriculture Department (Haryana State Agricultural Marketing Board)

4.3.2 Avoidable payment due to injudicious auction of plots

Auction of plots without taking cognisance of High Court orders by Haryana State Agricultural Marketing Board has resulted in avoidable payment of interest amounting to Rs 1.67 crore and blockade of Rs 17.06 crore.

Haryana Urban Development Authority (HUDA) allotted 19.68 *acres* of land in Mandi Township, Kaithal in September 2001 to Haryana State Agricultural Marketing Board (HSAMB)/Market Committee (MC) Kaithal for Rs 17.06 crore for extension of existing Grain Market in Kaithal.

A test-check of records (November 2006) of HSAMB showed that MC, Kaithal carved out 117 shop plots and 126 booth plots in the entire land of 19.68 *acres*. The residents of the adjoining areas had filed a case before Punjab and Haryana High Court challenging the action of HSAMB and prayed for restraining them in any manner from changing the land use. The High Court passed (26 November 2001) an interim order directing that auction, if any, held during the pendency of the writ petition would be subject to the orders to be passed in the case. Without taking any cognisance of the interim orders passed by the court, the M.C. Kaithal held (28 November 2001 and 08 January 2002) an open auction of shop/booth plots and sold 74 plots (41 shop plots and 33 booth plots) for Rs 13.50 crore. The successful bidders deposited Rs 3.38 crore, being 25 *per cent* of the bid cost at the spot. However, the HSAMB/MC, Kaithal neither issued allotment letters to the successful bidders nor started any development work on the land owing to the issue of interim orders of the High Court. Consequently, some of the allottees filed a Civil Writ Petition in 2003 before the High Court for refund of 25 *per cent* bid money along with 24 *per cent* interest from the date of deposit. The High Court directed (August 2005) HSAMB to refund the deposits made along with interest at the same rates at which HSAMB charged interest on delayed payments. In compliance of the orders of High Court, MC Kaithal refunded (October 2006) the amount of Rs 2.14 crore along with interest amounting to Rs 2.44 crore (calculated at the rate of 15 *per cent* half yearly plus

4 per cent penal interest per annum upto September 2006) to the allottees, who had filed the Writ Petition.

Thus, proceeding with the auction of plots when the matter was sub-judice, resulted in avoidable payment of net interest amounting to Rs 1.67 crore (Rs 2.44 crore minus Rs 0.77 crore, the interest earned by the HSAMB on its bank deposits at the rate of six per cent⁹ taken into consideration). As the proposed grain market has not yet been established, the amount of Rs 17.06 crore spent on purchase of land also lies blocked since 2001.

Financial Commissioner and Principal Secretary to Government Haryana Agriculture Department in his reply stated (May 2007) that neither the development works could be started and nor the allotment letters were issued because of interim orders of High Court. Consequently as per direction of Hon'ble High Court, the Board/MC Kaithal refunded the amount and paid interest of Rs 2.44 crore. The fact remains that the auction of plots taken up without taking into account interim orders of the High Court resulted in avoidable payment of interest amounting to Rs 1.67 crore.

Education Department

4.3.3 Extra expenditure on uneconomic hiring of vehicles

Hiring of vehicles on a monthly basis with a high minimum contracted running, instead of hiring them for each inspection resulted in an extra expenditure of Rs 46.45 lakh.

With a view to improve the supervisory structure and quality of education in the State, the State Government ordered (September 2005) the functional integration of Departments of Primary Education, Secondary Education and Sarva Shiksha Abhiyan into a unified Directorate of School Education. In the consequent restructuring of field offices, the Block Education Officers (BEOs) were made the Inspecting Officers for schools in the block. An amount of Rs 1.16 crore was sanctioned by the State Government (December 2005) for hiring of vehicles for the 116 BEOs to be used by them during 2005-06 for inspecting the schools in their respective blocks. This arrangement was to be reviewed in April 2006 before its further continuation during the year 2006-07. On the basis of bids invited by various District Education Officers, the Director of School Education fixed (December 2005) the tentative monthly rate of Rs 17,000, Rs 18,000 and Rs 16,000 for the hiring of Tata Sumo, Qualis and Mahindra Jeep respectively for a minimum running of 3,000 kilometers per month. The basis on which the monthly running of 3,000 kilometers had been arrived at, was not on record.

⁹ Taken as average rate of interest (8.25 to 5.50 percent) allowed by banks on deposits for the period three years and more and investment made by HSAMB during the year 2002 at the rate of five per cent.

However, given that the average area of a block in the State was 376 sq. km¹⁰, this mileage was on higher side.

In a sample of 39 BEOs in 12 districts¹¹ subjected to audit scrutiny (February-May 2007), it was found that during 2005-06 the distance covered per month ranged from 309 km to 2,640 km and Rs 12.78 lakh was paid towards the hiring of these vehicles. Even though this arrangement was to be reviewed in April 2006, no such review was done and an amount of Rs 2.43 crore was sanctioned (November 2006) for hiring of vehicles by 119 BEOs during 2006-07. The distance covered during 2006-07 in the sampled blocks ranged from 64 km to 2,203 km and the expenditure incurred was Rs 64.76 lakh. Not only did the vehicles run for a distance much less than that contracted, even this running was not restricted to inspection of schools for which the vehicles had been hired. Thirty three *per cent* of the total running of vehicles during 2005-06 and 2006-07 was for sundry jobs and for private purposes. Twenty one BEOs hired vehicles for the month of June 2006 during which the schools remained closed for summer vacations. In Palwal, having highest number of schools and largest area in the State, the average distance covered in a month for inspection of schools was less than 1,000 km.

The BEOs covered only 5,18,090 km (92,646 km in 2005-06 and 4,25,444 km in 2006-07) as against the contracted 13,84,414 km. Had the Department hired vehicles for individual inspections on a per-km basis instead of hiring on monthly basis, Rs 46.45 lakh (Rs 77.54 lakh paid as hire charges minus Rs 31.09 lakh worked out at the rate of Rs 6 per km for 5,18,090 km) could have been saved in the 39 blocks test checked. This saving would be much more if all the blocks in the State were considered.

The matter was demi-officially reported to the Financial Commissioner and Principal Secretary to Government of Haryana, Education Department in May 2007; reply had not been received (August 2007).

Agriculture Department (Haryana State Agricultural Marketing Board)

4.3.4 Loss due to non-charging of interest from allottees

Non-charging of interest from allottees from the date of issue of allotment letter to the date of issue of completion certificate by Market Committee, Assandh has resulted in loss of interest amounting to Rs 37.97 lakh.

The instructions of Chief Administrator, Haryana State Agricultural Marketing Board (HSAMB) Panchkula issued in August 1987 provided that in case, an

¹⁰ Total area of the State of Haryana (44,212 sq. km) divided by the number of blocks in the State (116 in the year 2005-06 and 119 in 2006-07).

¹¹ Ambala, Bhiwani, Faridabad, Jhajjar, Kaithal, Karnal, Kurukshetra, Panipat, Rewari, Rohtak, Sonapat and Yamunanagar.

allottee of plot of shop/booth completes construction according to the approved plan/map and also shifts his business to the said premises within the specified period of two years, the allottee was entitled to a concession in the shape of waving off interest on instalments for the remaining period. As such, interest in such cases was to be charged up to the date of issue of completion certificate of the building provided the remaining instalments were paid on the due dates without any default.

It was observed during test-check (November 2006) of records of Market Committee (MC), Assandh that auction of 27 plots was held in August 2001 and allotment letters were issued in December 2001. As per allotment letter, 25 per cent of the cost of the plot was to be paid at the time of auction and balance 75 per cent either within 30 days from the date of issue of the allotment letter or in six half yearly instalments with 15 per cent interest thereon from the date of issue of allotment letter. As the plot holders completed the construction work on these plots within two years and also got the completion certificates issued between May 2002 and September 2003, they were entitled for waiving off interest from the date of issue of completion certificates. However, the interest from the issue of allotment letters to the date of completion was payable by them. MC, Assandh did not charge any interest from the allottees from the date of issue of allotment letter to the date of issue of completion certificate, as a result of which, the MC, had forgone interest amounting to Rs 37.97 lakh.

Thus, non-charging of interest from the date of issue of allotment letter to the date of issue of completion certificate resulted in loss of interest amounting to Rs 37.97 lakh.

The Executive Officer-cum-Secretary, MC, Assandh replied (May 2007) that notices for recovery of balance interest of plots have already been issued and in case of any default, the same would be recovered through Land Revenue Act.

The matter was demi-officially reported to Financial Commissioner and Principal Secretary to Government of Haryana, Agriculture Department in May 2007; their reply had not been received (August 2007).

Foods and Supplies Department

4.3.5 Loss due to non-recovery of transportation charges

Failure of Food and Supplies Department to recover transportation charges from millers has resulted in loss of Rs 28.89 lakh to the State Government on transportation of paddy.

Government of India Ministry of Consumer Affairs, Food and Public Distribution fixed rates of custom milled rice delivered to the Central Pool which included the milling charges of Rs 15 and Rs 20 per quintal for *kharif* 2004-05 and Rs 15 and Rs 25 per quintal for *kharif* 2005-06 for Raw Rice and Par-boiled Rice

respectively. Milling charges so fixed were inclusive of transportation charges of paddy upto eight kilometres on each side from purchase centre to mills and from mills to Food Corporation of India (FCI) godowns. Government of India (GOI) had clarified (July 2006) that transportation charges upto eight kilometres for delivery of rice from mills to FCI godowns or State godowns were included into milling charges.

Test-check of records (November 2006) of District Food and Supplies Controller, Fatehabad showed that an expenditure of Rs 61.54 lakh was incurred during 2004-06 on transportation of 36,694 MT paddy from *mandis* to the premises of millers. Of this, an amount of Rs 28.89 lakh being the transportation charges upto eight kilometres was recoverable from millers. But the department did not recover the same from them.

The Financial Commissioner and Principal Secretary to Government of Haryana, Food and Supplies Department stated (August 2007) that on the request of Haryana Rice Millers and Dealers Association, GOI was requested to issue revised sanction without inclusion of transportation charges in the milling charges from *mandis* to mill premises. The GOI clarified (July 2006) that in case of paddy directly delivered from *mandis*/purchase centres to mills, reference point was to be taken as *mandis*/purchase centre by the millers. However, if Government procuring agencies were taking paddy from *mandis*/purchase centres and stocking it at another place before sending the same for milling to mills, agencies stocking point would be taken as reference point for taking into account distance of eight kilometres. The State Government decided that mill premises should be considered as first storage point and the action with regard to payment of transportation charges from *mandis*/purchase centres to first storage point should be taken. The reply was not tenable, as the decision of the State Government was not in line with the direction of the GOI, as the milling charges had been fixed by the Government of India after including transportation charges upto eight kilometres only.

Thus, failure of Food and Supplies Department to recover transportation charges from millers resulted in loss of Rs 28.89 lakh to the State Government on transportation of paddy due to excess payment of milling charges.

Excise and Taxation, Home and Health Departments

4.3.6 Avoidable payment due to non-insurance of vehicles

Due to non-insurance of Government vehicles as per instructions of Transport Department, the Departments had to pay Rs 16.82 lakh as compensation to accident victims.

The Commissioner and Secretary to Government of Haryana, Transport Department issued (January 1997) instructions that all Government vehicles should be compulsorily got insured. It was further decided (January 2000)

that Government vehicles should invariably be insured against 'Third Party Risk' (TPR).

Test-check of records (between October 2005 and July 2006) of three Government offices showed that Government vehicles were not insured against TPR and Government had to pay compensation of Rs 16.82 lakh to the injured persons and next to the kin of the diseased as tabulated below:

Brief of the case	Rupees in lakh
1. Deputy Excise and Taxation Commissioner, Ambala	
A jeep of the office met with an accident (July 1999) with a scooter and the person driving the scooter was killed. The Motor Accident Claim Tribunal (MACT) while deciding the appeal filed (October 1999) by widow of the deceased, announced award of Rs 10.83 lakh (subsequently revised to Rs 11.84 lakh) with interest, payable by driver and Government in equal share. The Department had paid (February 2002-April 2004) the compensation of Rs 14.93 lakh including interest of Rs 3.09 lakh. The driver filed an appeal for non-recovery of his share with Civil Judge (Junior Division), Ambala and the case was decided (March 2007) in his favour. The Department filed an appeal against the said order in the Court of Hon'ble District Judge, Ambala. The final decision of the Hon'ble Court was awaited (July 2007).	7.47
2. Superintendent of Police, Rewari	
A bus of the office met with an accident (March 1999) with a Maruti Van. One person was killed on the spot and two other persons sustained grave injuries. Family of the deceased and an injured person filed appeals (August 1999 and October 2000) with MACT for compensation. The MACT announced (August 2002 and September 2003) an award of Rs 3.36 lakh (deceased case) and Rs 1.59 lakh (injured case) with interest. The Department paid (between February 2003 and April 2004) compensation amounting to Rs 6.26 lakh including interest.	6.26
3. Community Health Centre, Pataudi	
A person lost his eyesight in an accident in February 2001 with a mini bus of the Centre. The MACT awarded (November 2003) compensation of Rs 4.74 lakh plus interest. The compensation was to be paid in equal shares by driver and the Department. The Department accordingly paid (September 2004) Rs 3.09 lakh including interest as its share of compensation.	3.09
Total	16.82

These points were demi-officially reported to the Financial Commissioners and Principal Secretaries to Government of Haryana of the Departments concerned in May 2007; their reply had not been received (August 2007).

4.4 Idle investments/idle establishment/blocking of funds

Transport Department

4.4.1 Loss of revenue due to non-operation of buses

Failure of Department to arrange tyres for operation of buses resulted in loss of Rs 1.05 crore besides depriving the facility of transport to public.

Haryana Roadways had a fleet strength of approximately 3,300 buses. The requirement to replace the worn out tyres is partially met by procuring new tyres and partially by retreading old tyres. The Roadways has been operating three retreading plants at Karnal, Hisar and Gurgaon with retreading capacity of 4,000 tyres per month. The Department has not fixed any norms for procuring material for retreading of tyres. The monthly requirement of tread rubber is being met through annual contracts from private firms.

Test-check of records (October 2006 to February 2007) of three depots (Jind, Ambala and Sirsa) revealed that these depots received 5,160 tyres between April 2006 and January 2007 from the Retreading Plants against the requirement of 7,150 tyres with the result that 49 buses remained off road for the period ranging from 23 to 306 days due to non-availability of tyres during this period. Hence, these depots sustained an estimated loss of Rs 1.05 crore due to non-operation of buses. Though the General Managers of Haryana Roadways, Jind and Sirsa had repeatedly requested the Transport Commissioner (TC) for tyres yet no concrete and prompt action was taken in this regard with the result these buses could not be operated for want of tyres.

Thus, failure of Department to make timely arrangement of tyres for operation of buses resulted in loss of Rs 1.05 crore besides depriving the facility of transport to public.

The matter was demi-officially reported to the Financial Commissioner and Principal Secretary to Government of Haryana, Transport Department in May 2007; reply had not been received (August 2007).

General Administration Department (Haryana Institute of Public Administration)

4.4.2 Under utilisation of Centre for Entrepreneurship Development

Non-conducting of activities as envisaged in the concept paper resulted into under utilisation of Centre for Entrepreneurship Development established at a cost of Rs 80 lakh.

In order to accelerate the growth of Industries, generate employment and utilise fully the human potential in the State of Haryana, a Centre for Entrepreneurship

Development (CED) was set up (January 2003) at Haryana Institute of Public Administration (HIPA) Gurgaon with grants-in-aid of Rs 1.04 crore received from Central Government (Rs 0.50 crore in April 1997) and State Government (Rs 0.54 crore in March 1997). CED was to undertake various activities viz. launching of two Diploma programmes of three months duration, short term training programmes/seminars/workshops aimed at training entrepreneurs to set up their own units for self employment, carry out research studies to identify the problems and suggest remedial measures, etc. Recurring expenditure on the staff and contingency was to be met from the receipts of the CED viz. fees, research, consultancy and other grants. An amount of Rs 67 lakh was spent on the construction of building and Rs 13.46 lakh on purchase of equipments.

Test-check of records of HIPA in March 2006 showed that CED had arranged only 41 short term training programmes during May 2003 to February 2007 against the envisaged programmes detailed above. The Chief Secretary attributed (July 2007) the reasons for conducting less number of training programmes to paucity of funds for employing staff and faculty members. He further stated that the Diploma courses could not be conducted due to inadequate response as these courses were not recognised for employment purposes and also because of competition from other institutions offering recognised courses. The contention of the Chief Secretary was not acceptable as the circumstances brought out in reply were known even at the time of conceiving the idea of construction of Centre and should have been factored in at that stage. Because of this poor planning, the CED was unable to generate income required for meeting its recurring expenditure and for inducting fresh faculty, which in turn resulted in its under utilisation. Further, even though it was meant to be self sustaining, the CED was likely to become a permanent financial liability on the State exchequer because of its inability to raise its own resources.

**Town and Country Planning Department
(Haryana Urban Development Authority)**

4.4.3 Unfruitful expenditure on incomplete work

Failure of Executive Engineer, HUDA, Rewari to comply with the provision of Rule 82 of Indian Electricity Rules, 1956 before the allotment of the work and delay in the preparation of revised estimate/DNIT of balance work resulted in unfruitful expenditure of Rs 24.20 lakh on incomplete school building.

Construction of habitable structures in the vicinity of High Tension (HT) conductors is prohibited if it contravenes the provision of Rule 80 of the Indian Electricity Rules, 1956. HT line has to be got shifted as required under Rule 82 of the Rules *ibid* before undertaking the construction of the structure.

Executive Engineer, HUDA, Rewari (EE) allotted (July 2003) the work 'construction of Primary School in Sector 1, Part I, Narnaul' to a contractor for Rs 20.20 lakh with the condition to complete the work within eight months.

Test-check of the records (February 2007), however, revealed that 33 KV HT line passing over the school site was not shifted before the work was allotted to the contractor (July 2003) by EE. The contractor started the work and completed 75 per cent of the work with an expenditure of Rs 24.20 lakh. Thereafter, the work was finally stopped (March 2006) by EE, HUDA, Rewari to avoid any untoward incident due to passing of HT line over the school site. The scope of work was also increased from Rs 20.20 lakh to Rs 25.25 lakh as the quantities of steel, concrete and brick work executed at site as per structural design (October 2003) were more than those provided in Detailed Notice Inviting Tenders (DNIT) (approved in April 2003). Enhancement case was submitted (January 2005) for approval of the competent authority but the same had not been approved so far (July 2007). The revised estimate and DNIT of the balance work, which were pre-requisite for reallocation of work, were not prepared (July 2007).

The EE stated (April and May 2007) that at the time of taking up the work initially, the seismic effect had not been taken care of in the structural design. This was done later, which resulted in an increase in the scope of work with consequent increase in the cost. Since the revised estimate had not yet been approved, the contractor had executed work upto the agreement amount and refused to execute the work beyond it. The revised estimate and DNIT for the balance work were under preparation. He, further, stated that efforts were being made for getting the HT line shifted from the site. Thus, the EE accepted the fact that the work could not be restarted (April and July 2007) due to non-removal of HT line and non-preparation of revised estimate and DNIT for the balance work.

Thus, failure of EE to comply with provision of Rule 82 of Indian Electricity Rules, 1956 before the allotment of the work and delay in the preparation of revised estimate/DNIT of balance work resulted in unfruitful expenditure of Rs 24.20 lakh on construction of the school building.

The matter was demi-officially reported to the Financial Commissioner and Principal Secretary to Government of Haryana, Town and Country Planning Department in April 2007; reply had not been received (August 2007).

4.5 Regulatory issues and others

Revenue Department

4.5.1 Loss on interest under the Calamity Relief Fund

Delay in investment of Calamity Relief Fund in Fixed Deposits resulted in loss of Rs 1.80 crore on account of interest.

On the recommendation of the Twelfth Finance Commission, the operation of the scheme for “Constitution and Administration of the Calamity Relief Fund” was further extended (5 July 2005) from the financial year 2005-06 to the end of the financial year 2009-10. The funds were to be used for meeting the expenditure for providing immediate relief to the victims of cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloud burst and pest attack. Under the Scheme, the Government of India was to contribute *75 per cent* of total yearly allocation in the form of non-plan grant and the State Government concerned was to contribute the balance of *25 per cent*. As per scheme for 2000-05, the unspent balance in the Fund as at the end of the financial year 2000-05 was available to the State Government for being used as a resource for the next plan.

Test-check of records (February 2007) of Under Secretary Revenue (General), Haryana revealed that Rs 253.56 crore balance of the scheme 2000-05 was deposited by the Department in Government account between April 2005 and August 2005. The Calamity Relief Fund was extended by the Government of India (GOI) from the financial year 2005-06 to the end of financial year 2009-10. The State Government received guidelines of GOI for extension of the scheme in August 2005. Accordingly, the State Government withdrew the amount of Rs 253.56 crore from the Treasury on the consent given by the Finance Department (November 2005) and invested it in Fixed Deposits Receipt (FDR) in January 2006 (Rs 25 crore) and March 2006 (Rs 228.56 crore).

Had the Government invested the above amounts in FDR immediately on receipt of guidelines for continuation of CRF scheme, more interest of Rs 1.80 crore could have been earned for the period from 1 September 2005 to 1 March 2006 (after reducing the amount of interest earned on Treasury Bills by the Government).

The Financial Commissioner and Principal Secretary, Government of Haryana, Revenue Department stated (July 2007) that the amount of Rs 253.56 crore was deposited in the State budget head due to the position as dictated in the scheme that the unspent balance in the fund as at the end of financial year 2000-05 would be available to the State Government for being used as a resource for the next plan.

The reply was not acceptable as the unspent balance in the fund at the end of financial year 2000-05 was to be utilised as a resource for the next plan of CRF and not the next plan of the State Government.

Home Department and Sports and Youth Affairs Department

4.5.2 Non-realisation of Central share of assistance

- (a) **Inordinate delay in submission of reimbursement claims for the Central share of assistance led to non-realisation of Rs 12.89 crore, with a concomitant loss of interest of Rs 4.52 crore to State exchequer.**

As per para 7.3 of Compendium of Instructions of Home Guards 25 per cent of Central share of assistance for raising, training and equipping Home Guards is paid by Government of India (GOI). State Governments were required to submit quarterly claims for reimbursement of expenditure on authorised items at the end of each of the first three quarters i.e. in July, October and January on the basis of departmental figures of expenditure and the claims for the fourth quarter i.e. final claim was to be submitted along with audit certificate covering whole year's expenditure.

It was noticed (July 2006) during audit of accounts of the Commandant General, Home Guards and Director, Civil Defence Haryana that the Department had incurred an expenditure of Rs 51.55 crore on raising, training and equipping Home Guards but the claims worth Rs 12.89 crore representing 25 per cent of Central share pertaining to the period 1998-99 to 2005-06 had been pending for realisation. The GOI, Ministry of Home Affairs while stressing timely submission of claims had stated in October 1998 that non-submission of claims particularly for fourth quarter resulted in pendency and surrender of funds. Again, GOI pointed out (July 2004) that claims for the fourth quarter along with Audit Certificates for the years 1998-2001 were awaited.

The Department stated (May 2007) that claims on the basis of Audit Certificates issued (December 2006) by Accountant General (Audit) Haryana had been submitted to GOI (January 2007) but no amount had been reimbursed by the latter (May 2007).

Thus, due to inordinate delay in submission of reimbursement claims, Central share of assistance worth Rs 12.89 crore could not be realised. In addition, the delay in preferring claims had already caused an interest loss of Rs 4.52 crore¹² to the State finances up to the close of financial year 2006-07. This loss will continue to accumulate till the amount is actually realised from GOI.

¹² Calculated at the average borrowing rate of the Government of Haryana during the period the claims remained outstanding.

The matter was demi-officially reported to the Financial Commissioner and Principal Secretary to Government of Haryana, Home Department in March 2007; reply had not been received (August 2007).

(b) Due to non-provision of adequate funds in time by the State Government the Tejli Sports Complex remained incomplete for more than five years and deprived of Central Assistance of Rs 60 lakh.

The Government of India (GOI) implemented (1997) the scheme, "Creation of Sports Infrastructure", under which financial assistance was to be shared between the Union Government and the State Government concerned in the ratio of 50:50. The central assistance in the case of Indoor Stadium/Facility where estimated cost was Rs 1.20 crore or more was to be restricted to Rs 60 lakh. The State Government was to collect 50 *per cent* of its share from local sources (grantee). The central assistance was to be sanctioned to the projects for which the availability of funds required was to be assured by the State Government to the satisfaction of the Union Government. The share of the State Government and the grantee was required to be spent first fully before the release of central assistance.

Test-check of records (April 2007) of the Director, Sports and Youth Affairs Department revealed that the GOI approved (November 2002) administratively the project "Construction of Multipurpose Hall in Tejli Sports Complex" at Yamunanagar for Rs 1.72 crore. The State Government released (between 1997-98 and 2001-02) Rs 45 lakh and the District, Sports Council could manage Rupees two lakh only. An expenditure of Rs 47 lakh was incurred (March 2003) on the execution of work upto the plinth level and column upto the door level. The progress report was sent (April 2003) to GOI for release of central share of Rs 60 lakh which was not released on the ground that the State Government had not spent 50 *per cent* of Rs 1.72 crore. The construction work was held up since April 2003 due to non-provision of adequate funds by the State Government. However, in the last quarter of the year 2005-06 the State Government released Rs 60.68 lakh for completion of the balance work. Tenders were invited and opened (April 2007) though the work was yet to be allotted (May 2007).

In the meantime, GOI transferred (April 2005) the scheme to the State sector for implementation directly by the concerned States. On being pointed out in Audit, the Commissioner and Secretary to Government of Haryana, Sports and Youth Affairs Department stated (June 2007) that tenders had been invited (April 2007 and May 2007) and after spending of 50 *per cent* on the project the progress report would be sent to GOI for releasing the central assistance of Rs 60 lakh. The reply of the Department was not tenable because the scheme had already been discontinued by the GOI and no budget provision was made by GOI for old liabilities in the annual plan for the years 2005-06 to 2007-08 and there was, thus, no likelihood of release of central assistance by GOI in the future.

Thus, even after spending Rs 47 lakh, the Tejli Sports Complex remained incomplete for more than five years due to delay in funding by the State Government. Consequently, the State had to forego the central assistance of Rs 60 lakh besides being deprived of the benefits of the Sports Complex. The amount of Rs 47 lakh invested in the complex had also stayed blocked for more than four years.

Health Department

4.5.3 *Unauthorised retention of departmental receipts outside the Consolidated Fund of the State*

By keeping a huge amount of Rs 28.17 crore out of Consolidated Fund of the State, the Department violated the Treasury Rules and general Principles of Budgeting.

Treasury Rules provide that all moneys received by or tendered to Government or public moneys raised or received by the State Government shall without undue delay be paid in full into the treasury or into the bank and shall be included in the Consolidated Fund of State. No Department of the Government may require that any moneys received by it on account of the revenues of the State be kept out of the Consolidated Fund of State.

Test-check of records (January-December 2005) of the General Hospitals/Community Health Centers and information collected (between May 2006 and June 2007) from the Project Director, Sector Investment Programme, Panchkula (Director) revealed that the user charges amounting to Rs 28.17 crore¹³ received during 16 January 2004 to 31 March 2007 were deposited in the Saving Bank accounts of the District Health and Family Welfare Societies/Swasthya Kalyan Samities instead of depositing into Treasury/Bank.

On being pointed out (February 2006) the Director stated (March and August 2006) that the State Government, with the concurrence of Finance

¹³

Period	Receipt Collected (Rupees in Crore)
January 2004 to March 2004	1.31
April 2004 to March 2005	7.82
April 2005 to March 2006	7.50
April 2006 to March 2007	11.54
Total	28.17

Department, had accorded sanction in January 2004 for retention of user charges for repair, maintenance and up keep of health institutions, etc. The State Government was also requested for issue of amendment as clause (m) under clause (1) of Rule 7.2 of the Punjab Treasury Rules and Subsidiary Rules issued thereunder which was under consideration with the Government. The Financial Commissioner and Principal Secretary to Government of Haryana, Finance Department while endorsing the views of the Director stated (September 2006) that the process for amendment of Rule 7.2 of Punjab Treasury Rules had been initiated by them.

The reply was not acceptable as the sanction of the Health/Finance Department to keep the receipts out of the Government account contravened the provisions of the Treasury Rules and also did not have the approval of the State Legislature. Insertion of clause (m) under clause (1) of Rule 7.2 of the Punjab Treasury Rules and Subsidiary Rules also would not suffice as these exceptions pertain only to use of departmental receipts for departmental expenditure and do not allow any receipt to be kept out of the Consolidated Fund of the State. Infact, the proviso under Rule 7 (2) specifically states that the authority given to appropriate departmental receipts for departmental expenditure shall not be construed as authority to keep the Departmental receipts and expenses defrayed there from outside the account of the payment into and the withdrawals from the Consolidated Fund of the State. Thus, retention of Rs 28.17 crore outside the Consolidated Fund of the State was in violation of the basic financial principles laid down in the provisions of the Treasury Rules.

Public Works Department (Buildings and Roads Branch)

4.5.4 Non- claiming of reimbursement of expenditure on casual/regular work charged establishment

Failure of the department in claiming the reimbursement of expenditure incurred on casual/regular work charged establishment from Ministry of Road Transport and Highways led to non-realisation of Rs 9.91 crore with an attendant loss of interest of Rs 1.04 crore to the State exchequer.

Government of India, Ministry of Road Transport and Highways (MORTH) clarified (16 August 2002) that expenditure on work charged establishment meant to cover non supervisory staff (whether regular or casual) employed specifically for execution of work such as traffic regulation, road diversion, maintenance, watch and ward of stores and field offices, collection and handling of samples of materials and survey works, etc. was admissible for reimbursement from MORTH.

A sample check between December 2005 and May 2007 of the records of four divisions, viz. Provincial Division No-III, Rohtak (XEN Rohtak), Provincial Division No-III, Karnal (XEN Karnal), Provincial Division No-II Hisar (XEN

Hisar) and ADB Project Division No-I Faridabad (XEN Faridabad), disclosed that work-charged non supervisory staff was deployed to perform the duties of maintenance and repairs of National Highways, diversion of roads, watch and ward of stores of field offices, etc. Though an expenditure of Rs 9.91 crore (Rohtak: Rs 3.48 crore, Karnal: Rs 1.73 crore, Hisar: Rs 4.50 crore and Faridabad: Rs 0.20 crore) was incurred on their pay and allowances between the period August 2002 and March 2007, none of the XENs had claimed reimbursement from the MORTH.

On being pointed out in Audit, the XEN Karnal admitted the facts and stated (April 2007) that claims had been prepared and submitted (January 2006) to the Superintending Engineer (National Highway Circle), Karnal/Engineer-in-Chief, Public Works Department, Buildings and Roads Branch (EIC) for onward submission to MORTH whereas XEN Rohtak stated (December 2006) that claim had been submitted (October 2006) to Accountant General (Accounts and Entitlement) who had returned the matter to EIC (May 2007) on the ground that it was outside his domain to claim such reimbursements on behalf of the State Government. The XENs Hisar and Faridabad stated (April 2007) that no reimbursement claims had been submitted for reimbursement.

It was clear from the replies that the action to seek reimbursement at this belated stage was also initiated at the instance of Audit.

Thus, failure of the Department in claiming the reimbursement of expenditure from MORTH, incurred on above work charged establishment, resulted in an extra burden of Rs 9.91 crore on the State exchequer. Concomitantly, there was an opportunity cost of this failure also as the State finances suffered and continue to suffer loss of interest due to the delay/failure in claiming reimbursement. This loss amounted to Rs 1.04 crore till the end of the year 2006-07, calculated at the average rate of borrowing of the State Government during this period.

The matter was demi-officially reported to the Financial Commissioner and Principal Secretary to Government of Haryana, Public Works Department (Buildings and Roads Branch) in March 2007; reply had not been received (August 2007).

Public Works Department (Irrigation Branch)

4.5.5 Loss of interest due to heavy unspent balance

Keeping the huge amount outside the Government accounts resulted in loss of interest of Rs 17.70 lakh.

Punjab Financial Rules, as applicable to Haryana, provide that money should not be drawn unless required for immediate disbursement. It is not permissible to draw advances for the execution of works, the completion of which is likely to take a considerable time. Regarding deposit works, Public Works Department

code provides that the gross estimated cost of the work should be recovered in advance either in lump sum or in instalments as authorised by the Government. The amount so received is to be credited to the Head-“Public Works Deposits” and subsequent expenditure debited to it out of funds released by the Government through Letter of Credit (LOC).

Test-check of accounts (February-March 2007) of the three Divisions¹⁴ revealed that the amounts were drawn from treasury for execution of flood protection works, rehabilitation of watercourses, land payment of various drains and deposit works of Public Health Department. The amounts so drawn were not immediately required and were kept in banks in salary account, current accounts and in the shape of banker cheques. Heavy balances ranging between Rs 5.49 lakh and Rs 1.48 crore remained with the Divisions during the period from April 2005 to March 2007.

The Executive Engineer (EE), Hansi Water Services Division, Hansi stated (March 2007) that validity period of LOC was short and the amount was drawn and kept in salary account. Reply was not acceptable because drawal of funds to avoid lapse of LOC was not permissible as per Haryana Government’s instructions dated 2 July 1972. The EE, Jhajjar Water Services Division, Jhajjar stated (March 2007) that heavy cash balance was due to delay in approval of flood control schemes and Drain number 8 could not be brought to design due to its continuous running. Reply was not acceptable as drawal of funds without the approval of schemes was irregular. The EE Sampla Water Services Division, Rohtak intimated (July 2007) that land payments were made to District Revenue Officer after clearance of departmental action and payments for deposit works were made after execution of these works. Reply was not acceptable, because the drawal of funds in anticipation of requirement was in contravention of Financial Rules. Funds should have been drawn after completing departmental action and execution of works.

Thus, keeping the huge amount outside the Government accounts during the period from April 2005 to March 2007 resulted in a loss of interest of Rs 17.70 lakh¹⁵ at the prevailing Treasury Bills interest rate of 5.20 *per cent*.

The matter was demi-officially reported to the Financial Commissioner and Principal Secretary to Government of Haryana, Irrigation Department in May 2007; reply had not been received (August 2007).

¹⁴ Hansi Water Services Division, Hansi, Jhajjar Water Services Division, Jhajjar and Sampla Water Services Division, Rohtak.

¹⁵ Hansi Water Services Division, Hansi: Rs 2.67 lakh, Jhajjar Water Services Division, Jhajjar: Rs 9.84 lakh and Sampla Water Services Division, Rohtak: Rs 5.19 lakh.

General Administration

4.5.6 Irregular expenditure on operation of excess ex-cadre posts

One to four excess ex-cadre posts in the Chief Secretary's grade had been operated without the approval of Government of India involving irregular expenditure of Rs 55.13 lakh incurred on their pay and allowances.

According to provisions of Rule 9(7) of the Indian Administrative Services (Pay) Rules, the State Government can operate ex-cadre posts equal to the number of sanctioned cadre posts in the Chief Secretary's grade of Rs 8,000 (revised to Rs 26,000 with effect from January 1996). The number of such ex-cadre posts can exceed the prescribed limit only with the approval of Government of India (GOI)

Test-check of records (January 2006) of the Department of General Administration of Civil Secretariat disclosed that against the sanctioned posts of one to two in the grade of Rs 8,000/ Rs 26,000, three to six posts were created and operated during the period from April 1995 to December 2005 without obtaining prior permission of GOI. The State Government had taken up (July 2003) the matter with GOI for grant of permission for creation of excess ex-cadre posts in view of exigencies of requirement in public interest which was under pursuance with GOI (May 2007). Thus, one to four¹⁶ excess ex-cadre posts in the grade operated without the approval of GOI resulted in irregular expenditure of Rs 55.13 lakh incurred on their pay and allowances.

The Chief Secretary to Government of Haryana intimated (May 2007) that the matter regarding ex-post facto sanction for creation of ex-cadre posts had been taken up with GOI. This shows that the ex-cadre posts had been created and operated without the approval of GOI as required under the rules *ibid*.

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Period	Sanctioned cadre posts	Total ex-cadre posts created	Excess ex-cadre posts
01 April 1995 to 17 September 1995	1	3	2 (Two)
18 September 1995 to 26 September 1996	1	4	3 (Three)
27 September 1996 to 31 January 1997	2	3	1 (One)
01 February 1997 to 28 February 1997	2	3	1 (One)
14 September 1999 to 31 August 2000	2	4	2 (Two)
01 January 2001 to 28 February 2001	2	6	4 (Four)
01 March 2001 to 28 February 2002	2	4	2 (Two)
01 April 2002 to 31 March 2003	2	5	3 (Three)
01 April 2003 to 31 March 2004	2	3	1 (One)
25 February 2005 to 31 March 2005	2	3	1 (One)
19 May 2005 to 31 December 2005	2	4	2 (Two)

Finance Department

4.5.7 Overpayment of pensionary benefits

Failure of Treasury Officers/Banks in ensuring the proper checks as required under financial rules and orders resulted in overpayment of pensionary benefits amounting to Rs 23.96 lakh.

As per Punjab Treasury Rules/Financial Rules applicable to Haryana and the scheme for pension payment by Public Sector Banks, the Treasury Officers (TOs) and the Banks were responsible for ensuring the correctness of the payments made with reference to the records maintained by them before incorporating the transactions in their accounts.

Inspection of 21 District Treasuries including Sub-Treasuries conducted by Accountant General (Accounts and Entitlement), Haryana and of 31 branches of nationalised banks conducted by Accountant General (Audit), Haryana during 2005-07 showed an overpayment of pensionary benefits amounting to Rs 23.96 lakh to 209 pensioners/family pensioners as discussed below:

- The State Government had clarified (April 2005) that the benefit of Dearness Pension (DP) and Dearness Relief (DR) was not payable on Family Pension to the employees appointed on compassionate grounds due to death of employees. However, Government extended the benefit of DR and DP to such family pensioners with effect from 12 December 2005. TOs/Banks made inadmissible payment of DR/DP to 77 such family pensioners amounting to Rs 7.88 lakh between April 2005 and December 2005.
- According to State Civil Services Rules, higher rate of family pension was payable from the date following the date of death of employee/pensioner for a period of seven years or to the date on which he would have attained the age of 65 years had he survived, whichever was earlier. Thereafter, normal rate of family pension was payable to them. However, 74 family pensioners were paid family pension at higher rates beyond the periods prescribed under the Rules which resulted in overpayment Rs 7.77 lakh to them.
- According to State Civil Services Rules, the amount of commutation was to be reduced from the amount of pension from the date of payment of the commuted value of the pension to the pensioners or three months after the issue of authority asking the pensioners to collect the commuted value of pension which ever was earlier. Contrary to this, full pension was paid to 19 pensioners without reducing the amount of commutation after the payment of commuted value of the pension, which resulted in overpayment of Rs 1.83 lakh.
- Overpayment amounting to Rs 3.79 lakh was made to 31 pensioners due to mistakes in calculating the amount of pension. Besides, due to reduction of gratuity amount on account of revision of pay retrospectively and payment of amount in excess of authorised amount, an overpayment of Rs 2.69 lakh was

made in eight cases which was required to be recovered from the pensioners. But the TOs concerned had not recovered the overpayments as of May 2007.

The matter was reported to Financial Commissioner and Principal Secretary, Finance Department in May 2007; reply had not been received (August 2007).

4.6 General

Health Department

4.6.1 *Non-responsiveness to audit findings and observations resulting in erosion of accountability*

After periodical inspection of the Government Departments, Accountant General (Audit) (AG) issues the Inspection Reports (IRs) to the heads of offices audited, with a copy to the next higher authorities. The executive authorities are to rectify promptly the defects and omissions pointed out and report compliance to the AG within six weeks. A half-yearly report of IRs pending for more than six months is also sent to the concerned Administrative Secretary of the Department to facilitate monitoring of the audit observations in the pending IRs.

A review of IRs issued upto March 2007 of various offices of 19 districts and 5 miscellaneous offices of Health Department disclosed that 1,336 paragraphs of 701 IRs (*Appendix XIX*) remained outstanding at the end of June 2007. Of these, 292 IRs containing 438 paragraphs were more than 5 years old.

The Administrative Secretary of the Department, who was informed of the position through half yearly reports, failed to ensure prompt and timely action by the departmental officers. Out of total irregularities of Rs 56.41 crore as detailed in *Appendix XX* which had not been settled as on 30 June 2007, serious irregularities such as non-recovery/short recovery of excess payment of pay and allowances, amount of sale of land, interest, etc. and outstanding recovery of loan/seed and margin money, etc. were for Rs 2.21 crore.

The matter was demi-officially reported to the Financial Commissioner and Principal Secretary to Government of Haryana, Health Department in May 2007; reply had not been received (August 2007).

Finance Department

4.6.2 Follow-up on Audit Reports

According to the instructions issued (October 1995) by the Finance Department and reiterated in March 1997 and July 2001, the Administrative Departments were to initiate suo moto positive and concrete action on all Audit Paragraphs and Reviews featuring in the Comptroller and Auditor General's Audit Reports (ARs) regardless of whether the cases were taken up for examination by the Public Accounts Committee or not. They were also to furnish detailed notes, duly vetted by audit indicating the remedial action taken or proposed to be taken by them within three months of the presentation of the ARs to the Legislature.

A review of the position regarding receipt of Action taken Notes (ATNs) on the paragraphs included in the ARs upto the period ended 31 March 2007 revealed that the ARs for the period 2003-06 were presented to State Legislature in February 2004, March 2005, March 2006 and March 2007 respectively. Of the 118 paragraphs and reviews of 28 Administrative Departments included in ARs 2003-06, 19 Administrative Departments had not submitted the ATNs on 53 paragraphs and reviews as per details given in the **Appendix XXI**. Six Administrative Departments, out of those who have submitted the ATNs have not taken any action to recover the amount of Rs 207.99 crore in respect of 10 paragraphs and reviews as per details given in the **Appendix XXII**.