

CHAPTER III

PERFORMANCE AUDIT

Forest Department

3.1 Haryana Community Forestry Project

Highlights

Performance Audit of Haryana Community Forestry Project brought out mixed results in the implementation of the project. Although the physical targets under some of the plantation components were more or less achieved, the survival rate of plants was very low. The plantations, which were to be handed over to the village communities, were not handed over. There were cases of expenditure in violation of project guidelines on construction of coffer dams, plantation after expiry of the project, etc. Funds were spent on plantation in the areas which did not fulfill the selection criteria. The overall capability of Village Resources Management Committees (VRMCs) was evaluated as satisfactory though on some critical indicators their capacity to take over the responsibility of managing natural resources had declined over the years. The scheme of improved cooking technology was not successful, use of alternative energy sources was not adopted, as a result of which pressure remained on use of fuel wood and cowdung.

- **An expenditure of Rs 1.10 crore was incurred on plantation in the areas which did not fulfil the selection criteria under the project.**

(Paragraph 3.1.7)

- **Survival of plants was 17.53, 13.98 and 33.69 per cent under Farm Forestry, Kitchen Garden/Homestead plots and poplar plantation against the norm of 70 per cent. Proportionate expenditure of Rs 2.99 crore was rendered wasteful.**

(Paragraph 3.1.8.1)

- **Plantation over 7,880.70 hectare area was not handed over to the VRMCs even after the lapse of prescribed period of three years of plantation.**

(Paragraph 3.1.9.1)

- **The Department failed to motivate the households to use smokeless chulhas, other energy sources and improved crematoria to reduce the pressure on fuel wood. Against the distribution of 3,551 chulhas, 1,690 chulhas were not utilised by the households.**

(Paragraph 3.1.10.1 and 3.1.10.2)

- **An expenditure of Rs 1.96 crore was incurred in violation of project guidelines on construction of coffer dams, labour charges on construction works, plantation after expiry of prescribed period and on the land blocks less than the prescribed size and construction of conference hall at the fag end of the project.**

(Paragraph 3.1.11)

- **Impact of the project on the environment was also not encouraging, as an average of 1.12 problems were resolved against the existence of average six problems in each village.**

(Paragraph 3.1.12)

3.1.1 Introduction

Haryana Community Forestry Project (the Project) was made operational from November 1998 with the objective to build up the capacity of rural communities to improve natural environment and maintain land fertility through sustainable management of natural resources undertaken in a participatory manner. To achieve these objectives, the project planned to adopt an integrated approach to establish plantations of village wood lots, farm forestry, stabilise sand dune, raise poplar nurseries, tree groves, kitchen gardens and construct water harvesting dams to improve irrigation water supplies. Other project activities also included river bank plantation and energy conservation through introduction of improved cooking stoves and crematoria.

The project was implemented in 338 villages of 37 rural Community Development Blocks (CDB) in 11¹ districts. The total area of common land under the project was about 1,25,000 hectares, of which 39,000 hectares was cultivable and the balance uncultivable. The project was closed in June 2008.

¹ Panchkula, Ambala, Yamunanagar and Kurukshetra in the North, Sirsa, Fatehabad and Hisar in the West, Bhiwani (Siwani, Loharu and Bhiwani CDBs), Mahendragarh (Kanina CDB), Rewari and Jhajjar (Jatusana and Nahar CDBs) in the Southwest and South.

3.1.2 Organisational set up

The State Government was responsible for the project and Haryana Forest Department (HFD) was the implementation agency. The Government appointed a steering committee to co-ordinate the development of the project and provide guidance on policy issues, besides approving the financial statements and Auditor's reports, progress reports, work plans and budgets. HFD established a functionally autonomous Project Management Unit (PMU) with its headquarters at Panchkula. In order to ensure proper co-ordination between the Project and other line departments and state agencies, a state level Policy Review Committee and district level implementation committees were constituted to meet at least once and twice a year respectively.

The PMU was delegated financial, administrative and technical responsibilities for implementation of the project. The PMU, headed by a Project Director, was supported by a technical expert and Project Manager. The Project Director was assisted by three Conservators of Forests, one for monitoring, evaluation, training, publicity and extension and the other two for carrying out field operations.

3.1.3 Audit objectives

The Audit objectives were to ascertain whether:

- resources were utilised in an economical and efficient manner;
- proper assistance was provided to villages with sufficient common land and adequate steps were taken to involve the community in the project;
- project components were implemented effectively so as to achieve their respective objectives;
- Village Resources Management Committees (VRMC) were constituted for the implementation of the project;
- energy efficient technology was adopted to reduce the consumption of fuel wood and cowdung cakes, and
- an effective monitoring system existed.

3.1.4 Audit criteria

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

- provisions of budget manual and financial rules;
- prescribed criteria for selection of area for operation of project;

- targets and achievements of various components of the project;
- State Government's policy for involvement of women, scheduled castes, and landless farmers in decision making;
- rules, regulations and instructions of Government for implementation of various components of the project;
- adherence to a system of periodical monitoring at various levels; and
- overall workplan, annual workplans, annual progress reports, tree survival survey reports, other survey and monitoring reports and various studies conducted by PMU/ outsource agencies, etc.

3.1.5 Audit scope and methodology

Performance of various components of the project since its inception to March 2008 was reviewed through scrutiny of records maintained by the Project Director and all the five² plantation divisions during November 2007-March 2008.

The methodology adopted was to test-check records with reference to provisions of project guidelines, departmental code, State Financial Rules, Government orders and instructions. The sample for audit *inter-alia* covered records including various registers required to be maintained under the project guidelines.

An introductory meeting was held in January 2008 with Principal Chief Conservator of Forests (PCCF) in which important issues regarding implementation of various components of the project, audit objectives and audit criteria were discussed. Exit conference was held in July 2008 with Additional PCCF to discuss the audit findings and their views were considered while finalising the review report. The results of scrutiny are discussed in succeeding paragraphs.

Audit findings

3.1.6 Financial management

The project was launched with financial assistance from European Union. The total project cost was estimated at Euro 30.10 Million (Rs 141.47 crore) of which the European Commission (EC) grant consisted of Euro 23.30³ million

² Ambala, Bhiwani, Hisar, Jatusana and Kurukshetra.

³ Project Management Unit : Euro 17.39 Million, European Commission, Delhi : Euro 2.91 Million and contingencies :Euro 3 Million.

(Rs 109.51 crore) and the financial commitment of State Government amounted to Euro 6.80 million (Rs 31.96 crore). Year-wise details of budget provision, expenditure and receipt of grants from EC for the period 1998-2008 were as under:

(Rupees in crore)

Year	Budget provision	Expenditure	Savings	Receipt of EC Share
1998-99	1.49	0.44	1.05	-
1999-2000	9.31	3.64	5.67	-
2000-01	15.06	8.72	6.34	6.54
2001-02	16.13	12.57	3.56	9.13
2002-03	19.82	15.48	4.34	11.35
2003-04	24.48	20.33	4.15	13.51
2004-05	26.50	22.41	4.09	17.2
2005-06	23.04	18.19	4.85	5.29
2006-07	17.34	14.90	2.44	15.34
2007-08	16.87	13.39	3.48	7.34
Total	170.04	130.07	39.97	85.70

The Department failed to utilise about 24 *per cent* of funds during the project period because of weak project management. Grants from EC could not be obtained in the initial years of project due to non-opening of interest bearing project capital account and project current expenses account. The Project Director stated (July 2008) that most of the project funds had been utilised, hence the progress of the project was not slow and that utmost efforts were made for opening the project capital account at the earliest but the account could be opened only in May 2000. The reply was not tenable as overall 24 *per cent* savings in all the project years was quite high and it took about two years in opening the project capital account which was not justified.

3.1.7 Selection of villages

As laid down in the overall work plan of the project, the first step in the implementation of the project was to identify villages that had sufficient common land or were affected by wind erosion from sand dunes or were suitable for water harvesting dams or poplar plantations. Selected villages were to be further screened for being socially and economically backward, measured by two proxy indicators of poverty, namely the percentage of scheduled castes and agriculture labourers to total population. Villages that met these criteria were to be put to a rapid appraisal (RA) to confirm the preliminary findings and to assess the willingness of the community to participate in the project. Community Entry Point Activities (EPA) were to be initiated through participatory assessment (PA) and micro-planning and VRMCs were to be formulated for smooth working. After following these criteria, the work of plantation was to be carried out in the selected villages. Scrutiny of records revealed that the criteria were not followed in the following cases:

Hisar Division carried out plantation over 349.5 hectare land in village Khedar, Hisar during 2003-07 at a cost of Rs 1.06 crore under village wood lots and sand dune fixation components. The land belonged to Haryana Vidyut Prasaran Nigam

An expenditure of Rs 1.10 crore was incurred on plantation in the area which did not fulfil the selection criteria.

Limited (HVPNL) and was earmarked for construction of coal based Thermal Power Plant (TPP). With the commencement of work of construction of TPP in August 2007, the plantations on this land were uprooted. As a result of this, the expenditure of Rs 1.06 crore was rendered wasteful. The Project Director stated (July 2008) that selection criteria were applicable to the community land and not to the Institutional land and that the plantation on the said land was carried out on the request of Chief Engineer of HVPN. The reply was not tenable as selection criteria was applicable for all kind of lands. Further, the department had not ensured that the plantation would be maintained upto maturity of plants to achieve the project objectives as the land was earmarked for construction of coal based TPP.

Similarly, plantations over seven hectare area under village woodlots component were carried out during 2004-07 at a cost of Rs 3.60 lakh on the land belonging to Kurukshetra University and Railway workshop at Jagadhari. The area was, however, not selected under the project. The Project Director stated (July 2008) that the plantation over the Institutional land was envisaged in the overall work plan to improve the natural environment. The reply was not tenable as this area was not selected as per project guidelines and no community participation was possible in the case.

3.1.8 Implementation of project components

3.1.8.1 Physical targets and achievements

Against the targets of plantation over 7,400 hectare under Village Wood Lots, 5,300 hectare under Farm Forestry, 5,000 hectare under Sand Dune Fixation, 5,000 hectare under poplar, 47,500 plants under Tree Groves and 36,000 house holds under Kitchen Garden, set under Overall Work Plan (OWP), the department fixed annual targets separately which did not match with that of OWP as detailed below:

Year	Village Wood Lots		Farm Forestry		Sand Dune fixation ⁴		Poplar		Tree Groves/ Linear Tree Groves		Kitchen Garden			
	(Land in hectares)										(Number of plants)		(House holds)	
	T	A	T	A	T	A	T	A	T	A	T	A		
2000-01	600	419.60	500	315.13	600	131.50	400	414	3,800	3,876	2,800	5,105		
2001-02	1,300	1,120.52	1,000	860.01	1,100	389.80	900	890.05	8,740	8,588	16,000	13,872		
2002-03	1,550	1,475.70	1,825	1,872.20	1,460	775.15	2,000	1,851.83	16,800	31,235	15,000	14,369		
2003-04	2,100	2,035.30	2,000	2,106.36	2,130	1,533.15	1,500	1,441.60	47,858	37,149	15,000	20,468		
2004-05	2,100	1,910.75	1,900	1,938.70	1,785	1,417.75	1,200	1,179.15	87,510	76,574	20,000	22,567		
2005-06	1,500	1,376.55	1,750	1,888.20	1,000	791.5	600	552.93	84,900	69,130	20,000	17,312		
2006-07	-	-	1,500	1,544.90	-	-	600	614.88	84,900	93,366	20,000	13,860		
Total	9,150	8,338.42	10,475	10,525.5	8,075	5,038.85	7,200	6,944.44	3,34,508	3,19,918	1,08,800	1,07,553		
OWP	7,400		5,300		5,000⁵		5,000		47,500		36,000			

T: Targets A: Achievements

⁴ These includes targets and achievements of modified SDF.

⁵ Targets were reduced in 2001-02 from 9,300 to 5,000 due to non-availability of land.

Targets fixed under OWP were not realistic as these had no bearing to the actual potential under the various components. The achievements under most of the components were much higher than those fixed under OWP. The target of plantation under Sand Dune Fixation was reduced with the introduction of Modified Sand Dune Fixation scheme, as discussed in subsequent paragraphs. However, no corresponding increase was made in the targets for other components to utilise the resources released due to the reduction of target under this component.

An analysis of the data revealed that there was a shortfall in the achievements of annual targets fixed by the department by 38 *per cent* in respect of sand dune fixation component. Although the targets of plantation were by and large achieved in respect of other components, the survival of plants in some components was not up to the mark as discussed below:

Village wood lots

Village wood lots (VWL) were to be established on land belonging to Panchayat and common land of the village to meet immediate requirement of the community like providing grass, fuel wood, small timber, etc. Of the plantation of 83.17 lakh plants during 2000-06, 67.23 lakh plants were registered as survived, showing an average survival rate of 80.83 *per cent*.

Kurukshetra Division spent (2002-05) Rs 0.62 lakh for plantations of village wood lots in village Antheri (Block Ladwa) on 2.5 hectare land without preparing Micro Plan and constituting VRMC. The Project Director while admitting the facts stated (July 2008) that the plantation was carried out on a small piece of land, therefore, normal procedure was not followed. The reply was not tenable as plantation was required to be carried out according to the prescribed procedure.

Farm forestry

Farm Forestry was aimed to involve privately owned farmland owners to augment wood supplies and to reduce pressure on Government forests. Seedling of suitable fuel wood, fodder, fruit and small timber species were to be provided to the farmers for planting on the field boundaries or in blocks.

In three⁶ divisions of Hisar circle, survival rate of plants under this component was only 17.53 *per cent* as compared to the norm of 70 *per cent* fixed by Principal Chief Conservator of Forest in July 1993. Year-wise details of survival of plants are given in **Appendix XIX**. An expenditure of Rs 1.06 crore was incurred on plantation during 2000-06. Low survival rate of plants was indicative of ineffective implementation of the scheme rendering the proportionate expenditure of Rs 79.45 lakh as wasteful.

Proportionate expenditure of Rs 79.45 lakh rendered wasteful as only 17.53 *per cent* plants survived against the norms of 70 *per cent*.

⁶ Bhiwani, Hisar and Jatusana.

In Bhiwani Division, out of total plantation of 7.26 lakh plants on which expenditure of Rs 12.39 lakh was incurred, only 0.64 lakh plants survived registering a very low average survival rate of 8.84 *per cent* during 2000-07. The year-wise survival rate was only 0.51, 2.06 and 4.55 *per cent* in 2000-01, 2001-02 and 2002-03 respectively (*Appendix XX*).

Survival of plants in respect of 2,048 farmers of Hisar and Ambala was zero *per cent*.

Further detailed analysis of records relating to 7,784 farmers of Hisar and Ambala divisions revealed that survival rate of plants was zero *per cent* in respect of 2,048 farmers during the years 2003-04 and 2004-05 as detailed in *Appendix XXI*. Expenditure of Rs 5.31 lakh incurred on these plants, thus, went waste.

The PCCF stated (July 2008) that low survival of plants under this component was due to the area being arid and severely affected by natural calamities (droughts and frosts). In spite of best efforts, the survival of plants remained low. Further, the norm of 70 *per cent survival* of plants was not applicable in the cases where the plants were supplied to farmers/beneficiaries. The plea of the department that norm of 70 *per cent survival* was not applicable in these cases was not convincing as the department was responsible to ensure high survival rate of plants to make the project successful.

Sand dune fixation

Sand Dune Fixation (SDF) component was aimed at stabilizing the moving sand dunes and improving the productivity on community and private lands in 160 villages of seven⁷ western project districts. Suitable species of fuel wood, fodder, oilseed and fruit were to be planted at a spacing of 4 x 2.5 metres to cover 1,000 plants per hectare. Due to non-availability of sand dune land, a modified SDF model with lower plant density (500 plants per hectare) was proposed in 2001-02, so that the farmers could use the land for agricultural purpose also. Thereafter SDF and modified SDF were implemented simultaneously according to availability of land.

Survival survey report brought out (March 2008) that overall survival rate under SDF was 76.10 *per cent* during 2000-06 (*Appendix XXII*), whereas it was only 49.13 *per cent* under modified SDF during 2001-06 (*Appendix XXIII*), which showed that the modified SDF had not been successful. During 2001-05, survival rates of plants ranged between 31.3 and 49.9 *per cent* in Jatusana Division while it was between 39.10 and 53 *per cent* in Bhiwani Division in comparison to the norm of 70 *per cent*. Low survival rate of plants under modified SDF rendered the proportionate expenditure of Rs 58.35 lakh wasteful and also indicated that the department failed in creating awareness among community about the benefits of plantation. Reasons for low survival rate under modified SDF were attributed mainly to ploughing by the farmers in order to accommodate the agricultural crops, plantation damaged by farmers, blue bull (Neelgai) menace, etc. These common factors in plantation should have been taken care of by the department.

⁷ Bhiwani, Fatehabad, Hisar, Jhajjar, Mahendragarh, Rewari and Sirsa.

Poplar plantation

Failure of the department to protect plants from diseases/insect attacks resulted in low survival of plants.

The objective of the poplar plantation was to generate additional income and also to provide fuel wood to farmers. Under this component, improved clones of poplar for raising plantation on prime agricultural land were to be provided to the farmers. An expenditure of Rs 2.64 crore was incurred on the component during 2000-07. Out of 32.56 lakh poplar plants supplied to the farmers during 2000-07, only 10.97 lakh plants (33.69 *per cent* against the norm of 70 *per cent*) survived as detailed in *Appendix XXIV*.

Due to low survival of plants, proportionate expenditure of Rs 1.37 crore was rendered wasteful and objective of generating additional income to farmers could not be achieved. Low survival of plants was mainly due to plant damage during agricultural operations, diseases, insect attacks, etc.

Tree groves

Tree groves were to be planted on panchayat and community lands near the ponds at bus shelters, on the *chetna kendra* compounds, on village peripheries, etc. to provide shade. This component was intended as a community 'entry point' towards creating awareness and winning confidence. Groves of 0.08 hectare with 19 tall plants of important indigenous species were to be planted. Tree survival survey report indicated (March 2008) that survival rate under tree groves were 85.38 *per cent*.

Kitchen gardens

Kitchen gardens/homestead plots were intended to create awareness on tree planting and other benefits to individual households and also to improve living and nutritional standards of the villagers. The approach was to provide five plants of grafted fruits trees per homestead. An expenditure of Rs 1.03 crore was incurred under this component during 2000-07. Out of total 4.78 lakh plants distributed during 2000-07, only 0.67 lakh plants survived and survival rate of plants under this component was only 13.98 *per cent* against the norm of 70 *per cent* as indicated in *Appendix XXV*.

Kitchen Garden/Homestead plots was not successful as survival rate of plants was only 13.98 *per cent*.

Such low survival of plants was indicative of failure of the scheme and rendered the proportionate expenditure of Rs 82.43 lakh as wasteful. According to the report of Monitoring and Evaluation Division, low survival rate of plants was due to lack of proper space in the backyard, lack of care by householders, delay in supply of plants and supply of damaged and dried plants by the department to householders. Thus, the low survival was apparently due to failure of the department to provide fresh and good quality plants and to make the households aware of the benefits of plantation.

Out of the six forestry components, three components, namely village woodlots, sand dune fixation and tree groves, which were handled by the department itself and had no direct community participation, performed well.

However, the results under the other three components, namely farm forestry, poplar plantation and kitchen gardens, which had direct community participation, were poor. Even under SDF, the modified SDF which was implemented on agricultural land and required farmers' involvement for its success, lagged in comparison. It was, therefore, debatable whether the key objective of the project of creating awareness and winning the confidence of the community was achieved.

3.1.8.2 Fire protection measures not taken

To guard against fire hazard, it was envisaged in the project that a strip of about 2.5 metres width and fire line of one-two metres width should be laid to clear the inflammable material around the plantation area. It was, however, noticed that the department had not taken such fire protection measures in any plantation under the project.

It was noticed in Kurukshetra division that a plantation of over 56.5 hectare area carried out at a cost of Rs 13.84 lakh in seven villages was destroyed by fire during 2000-05 due to electric sparking and throwing of burning *beedies* by some persons. Had the fire protection measures been taken, loss due to fire could have been minimised. The Project Director stated (July 2008) that although protection measures were provided in the manual, provision for this activity was not made.

3.1.9 Community institution strengthening process

3.1.9.1 Village Resource Management Committees

The Village Resource Management Committees (VRMCs) were to be constituted with an executive committee of 11-13 members, of which at least four were to be women and three from scheduled castes and landless households. It was, however, noticed that out of a total of 328 VRMCs formed in the State, 62 were formed with less than the prescribed number of executive members and 68⁸ VRMCs had less than four women as executive members. Thus, VRMCs were not formed with adequate executive members and women were also not given adequate representation.

The community was to be encouraged and enabled to assume responsibility for the management of planted tree resources. Each VRMC was to be provided initial incentive with a fund of Rs 30,000. Release of this money was conditional to the community agreeing for a mechanism for future community contribution to the funds. It was noticed that out of 328 VRMCs in the State, funds for this purpose were not provided to 37 VRMCs. Further, funds of Rs 87.30 lakh provided to 291 VRMCs could not be utilised for maintenance of plantations as no plantation was transferred to them and the funds provided were kept in term deposits. The Project

⁸ Bhiwani: 26, Jatusana: 18, Kurukshetra: 10, Hisar: 9 and Ambala: 5.

Director stated (July 2008) that funds to 37 VRMCs were not provided as these VRMCs could not provide 10 hectare land or their 50 *per cent* members did not contribute to the fund as envisaged in the project guidelines. The reply showed that the department failed to motivate the community to contribute to the fund.

As per project guidelines, the plantations raised on common panchayat land were to be maintained for three years by the department and thereafter handed over to VRMCs. The plantations in 7,880.70 *hectares* under village wood lots and sand dune fixation and 0.81 lakh plants under tree groves carried out during 2001-02 to 2003-04, which were required to be handed over to VRMCs, were yet to be handed over.

Plantations were not handed over to VRMCs after the prescribed period of three years of plantation.

Non-handing over of plants to VRMCs resulted in extra expenditure on operations like pruning, thinning, watch and ward, etc. and failed to make the community responsible for management of plants. This indicated failure of the objective of sustainable management of natural resources through community participation. The community was also deprived of the benefits which were to accrue to them from these plantations. The Project Director stated (July 2008) that the plantations were not handed over to the VRMCs as it was decided (July 2004) by the Government that Forest Department would maintain the plantation till their maturity. The decision of the Government was against the basic objective of the project as a result of which community participation on this aspect was missing. **The plantations carried out had various tree species and some of them like Shisham (10.46 lakh plants), Kikar (16.47 lakh plants), Eucalyptus (81.40 lakh plants), Poplar (34.75 lakh plants) had maturity periods of 60 years, 15-20 years, 10 years and 8 years respectively. This meant that these plantations would continue to be under the care of the Forest Department for long periods instead of their transfer to the village communities. Thus, even those plantations which had no direct community participation to start with, would also remain out of the community's ambit for its entire lifetime.**

3.1.9.2 *Capability assessment of VRMCs*

Capability assessment of existing VRMCs was carried out by the Technical Assistance Team of the Project in October-November 2001 and again in 2003, 2004 and 2005. For the final assessment, made in September 2007, nine indicators such as village resource planning, conflict resolution, VRMC management, community resource monitoring, natural resource protection, rehabilitation, etc with 55 sub-indicators of capability were taken into account. As per final assessment, overall capability of 24 *per cent* VRMCs was considered good or mature, 70.5 *per cent* moderate and 5.5 *per cent* weak.

Capability to access and mobilise finances for resource management was weak in respect of 83 *per cent* VRMCs.

An analysis of assessment revealed that in respect of the indicator, "capability to access and mobilize finances for resource management", only two *per cent* of VRMCs had been rated as good and 83 *per cent* as weak. Out of 55 sub-indicators, 14 which were crucial for long term sustainability of the VRMCs had declined from the 2005 level. These related mainly to planning

capabilities (3 sub-indicators), conflict resolution capabilities (2 sub-indicator), organisational management (1 sub-indicator), financial resource mobilisation (2 sub-indicators), monitoring and transparency (3 sub-indicators), resource protection (2 sub-indicators) and support of the disadvantaged (1 sub indicators). This was indicative of weakening of the community's involvement in the project. The team recommended that these general system weaknesses needed to be discussed, negotiated and agreed upon between all the stakeholders and VRMCs should take up all the responsibilities without which the efforts of a decade would dissipate.

3.1.10 Energy efficient technology

3.1.10.1 Improved cooking technology

One of the aims of the Project was to reduce the consumption of fuel wood and cowdung cakes by introducing improved domestic cooking stoves and other alternative energy sources in order to reduce the smoky environment in the houses.

In test checked divisions, 8,431 improved chulhas were distributed in 153 villages under improved cooking technology at a cost of Rs 98.24 lakh. A survey conducted by the department in December 2007 and January 2008 regarding utilisation of improved chulhas in 70 of these 153 villages revealed that 48 per cent smokeless *chullhas* (1,690 out of 3,551 *chullhas* distributed to villagers) were not being utilised by the villagers as detailed in **Appendix XXVI**. Thus, the department failed to motivate the rural communities to adopt the use of smokeless chulhas, which resulted in unfruitful expenditure of Rs 19.69 lakh incurred on these 1,690 chulhas.

Non-utilisation of 48 per cent smokeless chullas rendered the expenditure of Rs 19.69 lakh unfruitful.

The component regarding the use of other alternative energy sources was not implemented.

One of the aims of the project was to reduce the consumption of fuelwood and cowdung in rural communities by introducing improved domestic cooking stoves. A study of improved cooking technologies was to be conducted to ascertain the options available in the market. Energy Research Centre, Punjab University, Chandigarh was contracted to conduct the study to assess energy supply and demand situation in the villages, usage of fuelwood, charcoal, cowdung and agricultural crop waste as sources of energy and identify new energy efficient technologies which could be adopted in rural areas with emphasis on household cooking stoves, crematoria and village based industries using fuelwood. The study conducted (1999-2000) recommended that there was an urgent need to propagate the use of energy efficient devices such as pressure cookers, family size solid phase biogas plants, solar cookers and solar water heaters in the household sectors. It was observed in audit that no expenditure other than the payment of Rs 2.80 lakh on conducting the study was incurred on the component. This coupled with the project's relative failure in promoting the use of smokeless chulhas, indicated that there was no effective initiative in reducing the reliance of rural population on fuel wood and cowdung as source of energy.

The department failed to create awareness regarding the use of improved crematoria.

3.1.10.2 Improved crematoria

The study conducted by Energy Research Centre, Panjab University, Chandigarh, in 1999-2000 also observed that 94 *per cent* households were against the use of fuel efficient crematoria due to tradition, *biradari* and superstitions and emphasised the need to create greater awareness of the benefits of improved crematoria amongst the users.

It was, however, observed that only seven improved crematoria at a cost of Rs 3.95 lakh were installed during 2000-04 under the project. The Project Director stated (April 2008) that energy saving crematoria proved less successful due to non-adoption by the community. Thus, the department failed to create awareness among the community about the use of improved crematoria.

3.1.11 Expenditure in violation of project guidelines

As per project guidelines, funds were not to be spent on i) construction of coffer dams, ii) labour charges on development of *johads* (village ponds) and construction of *chetna kendras*, iii) plantation after seventh year of project, iv) plantation on the land blocks less than the prescribed size and v) construction of buildings at the fag end of the project. During audit scrutiny it was observed that funds amounting to Rs 1.96 crore were spent on these items in violation of project guidelines as discussed below:

3.1.11.1 Wasteful expenditure on construction of coffer dam

To save Bunga bandh from silt, Ambala Division constructed a coffer dam 800 metre up stream of the bandh in June 2004 at a cost of Rs 4.25 lakh. A six inch wide plastic pipe used on the work was not fixed with any pillars, as a result of which the joints of this pipe opened and due to leakage of water the coffer dam got damaged.

Similarly, to avoid silt in a dam constructed in village Bharauli, a coffer dam was constructed at a cost of Rs 3.21 lakh in May 2004. Likewise this coffer dam was also damaged in August 2004 due to heavy rains rendering the expenditure wasteful. The Project Director stated (July 2008) that the work of coffer dams was taken up on demand of the community on an experimental basis and that action had been initiated against the defaulters. The reply was not convincing as there was no provision for construction of coffer dams under the project.

3.1.11.2 Expenditure on labour on construction works

According to project guidelines, villagers were to contribute voluntary labour for development of *johads* and construction of *Chetna Kendra*. Out of total

expenditure of Rs 3.52 crore incurred on these works, Rs 1.06 crore⁹ was incurred on labour component, which was against the project guidelines. The Project Director stated (July 2008) that villagers were not required to contribute voluntary labour on these works. The reply was not acceptable as provision of the para 3.2.5.9 of OWP envisaged community participation in the form of labour for these constructions.

3.1.11.3 Plantation carried out in contravention of project guidelines

According to project guidelines, plantation was to be raised during second to seventh year of the project. Plantation in respect of Village Woodlots, Sand Dunes Fixation and Tree Groves only were allowed in eighth and ninth year for replacement of plant mortality.

In five¹⁰ divisions, plantation of Farm Forestry, Kitchen Gardens and Poplar was carried out in the eighth year (2006-07) and an expenditure of Rs 51.20 lakh¹¹ was incurred in contravention of the project guidelines.

For better governance including inspection, maintenance and monitoring, plantations under Village Woodlots and SDF were to be carried out on land blocks not less than five hectares in selected villages. Test-check of records revealed that plantations in respect of above components were done on land blocks, which were less than five hectares in 48¹² villages at a cost of Rs 17.47 lakh during 2003-06 in contravention of project guidelines.

Similarly, according to para 8.2 of OWP, construction work of office buildings, etc. was to be carried out in first and second year of the Project. A conference hall was constructed at Hisar during 2006-07 at a cost of Rs 14.15 lakh for imparting training and holding workshops and conferences. Construction of conference hall at the tag end of the Project was against the project guidelines.

3.1.12 Environment impact

A baseline Environment Impact Assessment Study, as envisaged in the Project, was got conducted in the year 2000 from Institute for Sustainable Development, New Delhi. The study was conducted in 56 villages and 22 environmental problems were identified. Out of 22 problems, there were on an average, six problems in each of the 56 villages. Another study in the same villages

⁹ Ambala: Rs 9.98 lakh; Bhiwani: Rs 12.31 lakh; Hisar: Rs 70.08; Jatusana: Rs 5.10 lakh; and Kurukshetra: Rs 8.62 lakh.

¹⁰ Ambala, Bhiwani, Hisar, Jatusana and Kurukshetra.

¹¹ Ambala: Rs 12.89 lakh; Bhiwani: Rs 3.18 lakh; Hisar: Rs 19.56 lakh; Jatusana: Rs 7.79 lakh and Kurukshetra: Rs 7.78 lakh.

¹² Hisar: 11 villages; Kurukshetra: 5 villages, Bhiwani: 7 villages and Jatusana: 25 villages.

brought out (December 2007) that average number of problems in each village had reduced to 4.88 only. Thus, average of 1.12 problems were resolved through the project in these 56 villages. The major problems like damage by wild life/blue bulls (in 46 villages), pollution of *johads* (in 28 villages), termite attack on trees (in 26 villages), wastage of domestic water (in 22 villages), drainage of domestic waste water (in 21 villages), quality of drinking water (in 17 villages) and fuel wood pressure on forest resources (in 17 villages) were still persisting. Although the project was near completion, these environmental problems could not be resolved. Thus, there was no significant achievement in resolving environmental problems through the project.

3.1.13 Monitoring and evaluation

Monitoring and Evaluation (M and E) Circle was functioning at Headquarters and M and E Division at Ambala was conducting tree survival survey in respect of all the components. Scrutiny of tree survival survey reports revealed that there was variation in figures of plantation of poplars to the extent of 1.38 plants appearing in Monitoring Reports of March 2006 (25.89 lakh plants) and March 2008 (27.27 lakh plants). Further, tree species growth rate surveys were to be carried out at sites in the fourth year of the project. The survey was, however, conducted only in four villages out of 338 project villages. Though low survival of plants was reported in the survey reports yet appropriate remedial action was not taken by the department to keep survival rate within the norms. Thus, monitoring was neither adequate nor effective. Internal audit system was also not in existence.

3.1.14 Conclusions

The objective of the project of building up the capacity of rural communities to improve natural environment was not achieved fully as survival rate of plants was low under the components which required community participation. The project could achieve reasonable success in creation of VRMCs at the village level as most of these committees were evaluated to be good or moderate, though on a few indicators their capacity had declined over the years. However, this capability of VRMCs would largely remain unutilised as the plantations made on panchayat and village common lands were not and may not be handed over to them. Therefore, a significant objective of the project to involve the communities in sustainable management of natural resources had remained unresolved. There was no significant achievement in either attending to the environmental problems through the project or promoting energy efficient cooking devices among the rural populace.

3.1.15 Recommendations

Since the project has already been closed, it is recommended that the Government may reconsider its decision to not hand over the plantations to the rural communities and hand these over to the respective VRMCs to make the communities responsible for management of natural resources.

These points were reported demi-officially to the Commissioner and Secretary to Government of Haryana, Forest Department in May 2008; their reply had not been received (August 2008).

Rural Development Department

3.2 National Rural Employment Guarantee Scheme (NREGS)
Highlights

The basic objective of NREGS is to enhance livelihood security in rural areas by providing 100 days guaranteed employment, besides creating durable community assets. The performance audit disclosed that there was an absence of proper planning mechanism for the implementation of the scheme. The scheme lost momentum in the second year in Mahendragarh and Sirsa districts. Though employment was provided to 36 per cent households, the assets created were by and large not beneficial to the community. There were cases of delay in payment of wages, non-payment of unemployment allowance, use of machines in labour oriented works, preparation of bogus muster rolls, payment of wages without obtaining signatures/thumb impressions from workers, double payment of wages, etc. Records in regard to muster rolls and generation of persondays were not maintained properly to ensure transparency and accountability.

- **District perspective plan for five years and annual plans for implementation of the scheme were not prepared.**

(Paragraph 3.2.6)

- **The expenditure on the scheme declined in Sirsa and Mahendragarh districts from Rs 36.29 crore in 2006-07 to Rs 25.21 crore in 2007-08. Similarly, persondays generation also declined to 18.57 lakh in 2007-08 from 24.13 lakh in 2006-07 in these districts.**

(Paragraphs 3.2.7.1 and 3.2.7.2)

- **There were cases of over payment of wages, double payment of wages to same persons and payments shown as disbursed without obtaining proper receipt/signatures/thumb impressions of workers. Similarly, large number of complaints regarding use of machines in execution of works and insertion of bogus names in muster rolls who were not deployed on the works were also observed.**

(Paragraphs 3.2.8.1 & 3.2.8.2)

- **Ponds dug up at a cost of Rs 8.37 crore in Mahendragarh district were without water. The works of digging and desilting of distributaries worth Rs 1.73 crore were not executed systematically in consultation with line departments. Compaction of earth was not done on rural road works executed at a cost of Rs 18.13 crore.**

(Paragraph 3.2.10.1)

- **Works worth Rs 1.90 crore were executed in test checked *gram panchayats* without obtaining technical sanctions and the works were split up to avoid sanction of higher authorities.**

(Paragraph 3.2.10.2)

3.2.1 Introduction

The National Rural Employment Guarantee Act, 2005 (the Act) guarantees 100 days of employment in a financial year to any rural household whose adult members are willing to do unskilled manual work. The basic objective of the scheme is to enhance livelihood security in rural areas besides generating productive assets, protecting the environment, empowering rural women and fostering social equity among others. The Central Government is to bear all costs other than 25 *per cent* of the cost of material and wages for skilled and semi-skilled workers, unemployment allowance and administrative expenses of the State Employment Guarantee Council (SEGC). In Haryana, the Act came into force in Mahendragarh and Sirsa districts from 2 February 2006, in Ambala and Mewat districts from 15 May 2007 and in the remaining districts from 1 April 2008.

3.2.2 Organisational set up

The Director, Rural Development Department, Haryana exercises general superintendence over the implementation of the scheme. Deputy Commissioners (DCs) have been designated as District Programme Co-ordinators, Additional Deputy Commissioners (ADCs) as Additional Programme Co-ordinators and Block Development and Panchayat Officers (BDPOs) as Block Programme Co-ordinators. The scheme is being implemented by District Rural Development Agencies (DRDAs) through BDPOs and *Gram Panchayats* (GPs).

3.2.3 Audit objectives

The main audit objectives for the performance audit were to ascertain whether:

- effective preparatory steps for planning and implementation had been undertaken and the procedure adopted for preparing perspective and annual plan at different levels were adequate and effective;
- funds released were accounted for and utilised as per the guidelines;
- an effective system for registration of households, allotment of job cards and allocation of employment was in place and wages and unemployment allowance were paid as per guidelines;
- the works were executed economically, efficiently and effectively; and
- there was an adequate and effective mechanism at different levels for monitoring and evaluation and for social audit and grievances redressal.

3.2.4 Audit criteria

With a view to achieve the audit objectives, following audit criteria were adopted:

- National Rural Employment Guarantee Act and notifications issued thereunder;
- Operational guidelines of the Act; and
- Circulars, documents and muster roll watch guidelines issued by the Ministry of Rural Development.

3.2.5 Audit scope, sampling and methodology

Two blocks each from Sirsa, Mahendragarh and Mewat districts (totalling six¹³ blocks) and 95 *Panchayats* were selected for test check using Probability Proportionate to Size sampling method. Audit of the records of DRDAs, blocks and *Panchayats* for the period from February 2006 to March 2008 was conducted during May-July 2007 and April -May 2008.

The methodology adopted was to test-check of records with reference to provisions of scheme guidelines, departmental code, State Financial Rules, Public Works Accounts Code and Government orders and instructions. The sample for

¹³ Sirsa district: Baragudha and Nathusari Chopta; Mahendragarh district: Mahendragarh and Ateli; Mewat: Nuh and Nagina.

audit *inter-alia*, covered records including various registers required to be maintained under scheme guidelines.

An introductory meeting was held on 18 May 2007 with the Director of Rural Development, Haryana in which important issues regarding implementation of the scheme, audit objectives and audit criteria were discussed. Exit conference was held in August 2008 with Director, Rural Development Department to discuss the audit findings and their views were considered while finalising the review report.

3.2.6 Planning

As per the provisions of the Act, the State Government was to notify the scheme within six months from September 2005 and frame rules thereunder. State Government could, however, notify the Scheme (NREGS) only on 16 March 2007 after 18 months. Rules thereunder had not yet been framed (August 2008).

State Government was required to set up the SEGC for advising the Government on the implementation, evaluation and monitoring of the scheme and to decide on preferred works to be executed under the scheme. The SEGC was set up only in April 2008. Further, Programme Officers and Administrative Assistants at each block for implementation of the scheme were not appointed as envisaged in the scheme.

District perspective plan and annual plan had not been prepared.

As per the operational guidelines of the scheme, department was required to prepare a five year district perspective plan (DPP) to facilitate advance planning by identifying the types of works which would be beneficial to the community, provide long-term employment generation and sustainable development of the area. Though funds of Rs 10 lakh for each district were released by GOI, yet DPP had not been prepared in any of the test-checked districts. Further, documented annual plan (AP) and district plans indicating time frame, persondays to be generated and cost of each project as envisaged in the guidelines had also not been prepared in test checked districts and *Panchayats*. In the absence of DPP and AP, the ADCs were releasing the funds on the basis of list of works approved by the *Panchayats*.

The absence of SEGC at the State level, coupled with the lack of DPP and AP at the district level, resulted in the *Panchayats* taking up works in an *ad hoc* manner, which did not result in creation of productive assets in many cases, as discussed in paragraph 3.2.10. The ADCs, Mewat and Sirsa while admitting the facts stated (April and May 2008) that DDPs were under preparation.

3.2.7 Financial and physical performance

3.2.7.1 Financial performance

Position of year-wise release of funds by GOI and State Government vis-à-vis utilisation thereof for the period 2005-08 was as under:

(Rupees in crore)								
Year	Name of district	Opening balance	GOI Share	State Share	Miscellaneous receipts	Total funds available	Expenditure	Closing balance
2005-06	Sirsa	-	5.56 ¹⁴	0.56	0.03 ¹⁵	6.15	Nil	6.15
	Mahendragarh	-	3.55 ¹⁶	-	0.05	3.60	0.30	3.30
2006-07	Sirsa	6.15	22.32	2.23	0.01	30.71	21.19	9.52
	Mahendragarh	3.30	9.02	0.90	2.64 ¹⁷	15.86	15.10	0.76
2007-08	Sirsa	9.52	7.98	0.80	-	18.30	16.73	1.57
	Mahendragarh	0.76	8.22	0.82	0.22	10.02	8.48	1.54
	Ambala	1.01 ¹⁸	10.47	1.05	0.04	12.57	12.04	0.53
	Mewat	1.10 ¹⁸	14.41	1.44	0.13	17.08	15.10	1.98
Total			81.53	7.80	3.12		88.94	

Expenditure during 2007-08 declined in Mahendragarh and Sirsa district.

As is evident from the above table, against the availability of Rs 94.56 crore during 2005-08, Rs 88.94 crore (94 per cent) were spent. The expenditure declined from Rs 21.19 crore in 2006-07 to Rs 16.73 crore in 2007-08 in Sirsa district and from Rs 15.10 crore to Rs 8.48 crore in Mahendragarh district. This indicated less generation of mandays in the year 2007-08.

3.2.7.2 Physical performance

Number of households registered under this scheme vis-à-vis number of households who earned 100 days employment under the Act up to 31 March 2008 was as under:

Year	Name of District	(Number of households)				Persondays generated (in lakh)	Average days per household
		Job cards issued	Employment Demanded	Employment provided	Completed 100 days employment		
2005-06	Sirsa	57,597	402	-	-	Nil	Nil
	Mahendragarh	16,804	6,602	5,586	-	0.23	4
	Sub total	74,401	7,004	5,586		0.23	4
2006-07	Sirsa	60,964	31,513	31,513	1,693	13.55	43
	Mahendragarh	45,808	19,252	19,252	3,933	10.58	55
	Sub total	1,06,772	50,765	50,765	5,626	24.13	48
2007-08	Sirsa	63,209	21,837	21,837	557	12.54	57
	Mahendragarh	50,763	9,922	9,922	380	6.03	61
	Ambala	22,473	18,364	18,364	3,294	7.96	43
	Mewat	25,000	17,760	17,760	3,171	9.23	52
	Sub total	1,61,445	67,883	67,883	7,402	35.76	53
Total						60.12	

¹⁴ Includes Rs 21.47 lakh released by GOI in 2005-06 but received in 2006-07.

¹⁵ This represents unspent grant of SGRY.

¹⁶ Includes Rs 15.70 lakh released by GOI in 2005-06 but received in 2006-07.

¹⁷ This includes unspent grant of Rs 2.62 crore of NFFWP.

¹⁸ These represent unspent funds under SGRY.

Scheme lost its momentum in 2007-08 as persondays generated declined during the year.

Analysis of above data revealed that 48 *per cent* job card holders during 2006-07 and 42 *per cent* during 2007-08 got employment, out of which only 11 *per cent* completed employment for 100 days in both the years. Average number of days of employment per household to whom employment was provided was 4, 48 and 53 in 2005-06, 2006-07 and 2007-08 respectively against the guarantee of providing 100 days employment.

Further, the scheme lost its momentum in Sirsa and Mahendragarh districts during 2007-08 as compared to the year 2006-07. Though number of registered households increased from 1,06,772 in 2006-07 to 1,13,972 in the year 2007-08, number of persondays generated declined from 24.13 lakh in the year 2006-07 to 18.57 lakh in 2007-08. Similarly, the number of households to whom employment was provided also declined from 31,513 and 19,252 in 2006-07 to 21,837 and 9,922 during 2007-08 in Sirsa and Mahendragarh districts respectively. The decline in employment generation as analysed in audit was mainly due to delay in making payment to workers and non-providing employment to workers who demanded employment as discussed in para 3.2.7.3. In Mewat district, the scheme had been implemented only in 271 out of 369 GPs. Out of these 271 GPs, no funds were released to 26 GPs, while funds of Rs 67 lakh released to 10 GPs during 2007-08 had not been utilised at all by them.

3.2.7.3 Employment generation in selected Gram Panchayats

Position of employment generation during 2006-08 in 92 of the 95 GPs test checked is depicted in **Appendix XXVII**. An analysis of data revealed the following:

- Against the legal guarantee of 100 days employment provided in the Act, average mandays earned per household were 48 in 2006-07 and 42 in 2007-08 in Sirsa and Mahendragarh districts respectively. Further, 64 *per cent* of households in 2006-07 and 70 *per cent* in 2007-08 were provided employment for less than 50 days in these districts. In Mewat district, 30 *per cent* of households were not provided employment and 51 *per cent* got the employment for less than 50 days during 2007-08.
- Contrary to the guidelines, 618 households in 2006-07 and 420 households in 2007-08 were deployed for more than 100 days in a year (**Appendix XXVIII**). On the other hand some households of Ateli, Baragudha and Sirsa blocks were not provided employment even for a single day as discussed in the sub para below. Further, average mandays earned by these households ranged between 111 and 139 mandays per household while the percentage of mandays earned by these households to the total mandays generated was 28 and 17 in 2006-07 and 2007-08 respectively. Maximum employment of 438 mandays was provided to a single household in GP, Dukhera in Nangal Chowdhry block in 2006-07. This indicated that a substantial proportion of employment generated was cornered by a relatively small number of households. Complaints about the non-providing of

employment were also received from registered households in the GPs of these blocks. As employment registers were either not maintained or were incomplete, employment provided to each household could not be monitored by GPs. The ADC, Narnaul stated (May 2008) that all the blocks and GPs were being directed to restrict employment to 100 days to a household.

- Data analysis of these selected GPs further revealed that 873 out of 1,747 households (50 *per cent*) in Mahendragarh district and 1,799 out of 4,076 households (44 *per cent*) in Sirsa district who worked during 2006-07 did not opt to work during 2007-08. Following factors could have contributed to the decline of employment in 2007-08:
- Workers were not paid wages in time due to shortage of funds. Instances of delay in making payment of wages are shown in **Appendix XXIX**. State Government, while addressing to various complaints received regarding non-payment of wages, also observed (October 2007) that payment of wages was not being made in time and instructed all BDPOs to avoid such delays.
- In four blocks, 45¹⁹ households were not issued job cards in 2006-07 though they were willing to do work under the scheme. Though the monthly progress reports submitted to GOI showed that all the households who demanded employment were provided work, audit scrutiny, however, revealed that 247²⁰ registered households, who demanded employment, were not provided work. Proper mechanism had, thus, not been evolved to ensure that employment is provided to all the registered workers and for payment of employment allowance to workers who could not be provided employment.

3.2.7.4 *Registration of minors*

Under the scheme, only adult members of the household could register themselves and apply for work. Analysis of data of all the sampled *Panchayats* revealed that in 155 households of GP Bayal in Nangal Chowdhry block, minors had been registered for doing manual work which was not only contrary to the guidelines of the scheme but also in violation of the Child Labour (Prohibition and Regulation) Act, 1986. The ADC, Narnaul stated (May 2008) that instructions were being issued to concerned blocks and GPs for not registering the minors. The names of already registered minors need to be deleted from the job cards/registerers.

¹⁹ Ateli: 3; Ellenabad: 1; Sirsa: 20; and Baragudha: 21.

²⁰ Ateli: 1; Sirsa: 118; Dabawali: 96; and Odhan: 32.

3.2.8 Muster rolls

3.2.8.1 General

Online entry of muster rolls had not been started in test checked GPs.

- In order to ensure transparency and accountability, it was envisaged that muster rolls would be entered online in MIS Software designed by NIC within 15 days of their payment in every *Gram Panchayat* and in the office of the Programme Officer. Online entry of muster rolls had, however, not been started so far in any of the districts test-checked (April 2008). As per scheme guidelines, blocks were to issue digitised muster rolls with a unique identity number. In Mewat district, this provision was not followed.
- Government of India directed (November 2006) to make payment of wages through banks or post offices. Though the State Government reiterated (January 2007) these instructions, payment of wages continued to be made in cash as of April 2008 in the districts test checked.
- Superintending Engineer (SE), Panchayati Raj, during inspection (February 2008) of the works of GP Gohana and Mandi Khera of Nagina block, district Mewat pointed out that instead of authentic muster rolls, *kuchha* muster rolls were being used at sites. Similarly, District Revenue Officer, Sirsa during inspection of the works of GP Panihari of Sirsa block observed that payments to workers were made without recording details of works done, amount paid, etc in muster rolls. Likewise SDO, Panchayati Raj, Sirsa pointed out during his inspection in January 2007 that in GP Dhani Charso of Sirsa block, payment to workers was made without obtaining signatures/thumb impressions of workers.

There were overpayments due to incorrect calculations and double payments to same workers.

Test-check of muster rolls of selected GPs revealed the following irregularities:

- Over payment of Rs 6,768 was made in four²¹ GPs due to calculation mistakes. Double payment of Rs 9,100 was made in two²² GPs to the same workers during the same period. Payment of Rs 1,03,309 was made by three²³ GPs to 66 workers in July 2007 without obtaining their signatures or thumb impressions.
- In GP Ferozpur Rajpoot of Hathin block, job card numbers had not been entered in three muster rolls for the months of November 2007 and January 2008 involving payment of Rs 26,805.

²¹ *Gram Panchayat* Tigra of Ateli Block: Rs 1,140; GP, Chapra Salimpur of Ateli Block: Rs 4,728; GP, Kotla of Nuh block: Rs 600 and GP, Doharkalan of Narnaul block: Rs 300.

²² *Gram Panchayat* Umari of Nagina block: Rs 3,780 and GP Ateli of Ateli block: Rs 5,320.

²³ GP, Sabras of Taouru block: Rs 46,615, Maholi of Ferozpur Zhirka block: 54,810 and GP blashar of Rania block 1,884.

- In GP Dhanur in Rania block, payment of wages of Rs 1.27 lakh was made against muster rolls (numbers 31410 to 31412 and 32932 to 32934). The muster rolls were, however, not signed by any authority viz.; Sarpanch, Panch, JE or members of Monitoring Committee.

Thus, the muster rolls were not authentic and possibility of mis-appropriation of scheme funds could not be ruled out.

3.2.8.2 *Suspected bogus muster rolls*

Complaints regarding use of machines in execution of works and preparation of bogus muster rolls were observed.

In GP, Baghot of Kanina block of Mahendragarh district, payment of Rs 20.40 lakh was made through muster rolls during June 2006 to September 2007 on execution of works. Thirty-four job card holders complained to the ADC, Mahendragarh that they had neither been employed on these works nor received any payment, but their names were appearing in Muster Rolls. Audit scrutiny of muster rolls revealed that out of these 34, names of 20 such job card holders were appearing in the muster rolls which indicated that an amount of Rs 50,299 shown as paid to the workers could have been embezzled. Nine earth movers/tractor owners also complained to the ADC, Mahendragarh that they had executed the work to the extent of Rs 5.39 lakh through machines/tractors and received part payment of Rs 2.27 lakh only. No such payments were, however, shown in record as having been made to earth movers/tractor owners. This not only confirmed bogus payments and preparation of bogus muster rolls but also indicated that labour oriented works were being done through machines in contravention of scheme guidelines. The entire payment of Rs 20.40 lakh, therefore, needs to be thoroughly investigated.

There were also cases of utilisation of earth movers/tractors in labour oriented works in GP Rambas, GP Bhojawas of Nangal Chaudhary block and GP Dochana of Narnaul block. Complaints regarding names of workers appearing in muster rolls, who were not actually deployed on jobs were lodged with ADC Sirsa in respect of GP Dhani Bachan Singh of Ellenabad block. Similarly, villagers of GP Mallekan in Ellenabad block complained to the ADC, Sirsa in August 2006 that bogus muster rolls were being prepared in the work relating to desilting of minors in the year 2006-07 and mentioned names of six persons whose names were appearing in the muster rolls but who were not actually deployed on the job. An expenditure of Rs 5.89 lakh had been shown as incurred. Action had not been taken (April 2008) by the ADCs on these complaints, which needed to be investigated.

3.2.9 **Maintenance of records**

In Mahendragarh district, records showing segregation of expenditure on wages and material was not maintained. Figures of expenditure on wages and material mentioned in the returns submitted to GOI were being arrived at without any basis. On being pointed out in audit, expenditure on material and wages for the period

February 2006 to March 2007 was segregated in 74 GPs of Ateli Nangal block. A comparison of figures of employment generation, after segregation of expenditure on wages and material, with the figures reported in monthly progress reports in these *Panchayats* revealed inflated reporting of 5,541²⁴ mandays in 34 GPs.

In Mahendragarh and Sirsa districts, segregation of labourers under various categories viz.; scheduled castes, women and mandays generated of these categories was not being indicated in the muster rolls. In the absence of these statistics, reports of deployment of SCs and women being sent to GOI were not verifiable.

GP-wise generation of persondays not complied in Mahendragarh and Sirsa districts during 2007-08.

The GP-wise persondays generated had not been compiled in Sirsa and Mahendragarh districts in the year 2007-08 and the figure of persondays generated was not worked out on actual basis. In the absence of this, accuracy of management information reports on employment generation could not be vouched in audit.

Photocopies of the muster rolls required to be kept at GP/Block level for public inspection had not been kept in any of the blocks test checked.

In Mahendragarh district, duplicate copies of job cards were not retained in GPs. This was essential to ensure transparency and to protect labourers from fraud. In Nangal Chaudhary, Rania and Dabawali blocks, employment registers had not been issued to GPs in 2007-08 to monitor mandays earned by households.

Maintenance of records particularly at GP level was not up to the mark due to shortage of Gram Sahayaks. In test checked *Panchayats*, photographs in 2,257 cases were not attached and in 1,305 cases signatures/thumb impressions of the job card holders were not available on record. Employment, asset, complaint and muster roll registers had not been maintained in test checked GPs of Sirsa and Mahendragarh districts and three²⁵ GPs of Mewat district. ADC, Sirsa and Mahendragarh stated (April-May 2008) that in about 10 *per cent* cases photographs could not be affixed.

3.2.10 Execution of works

3.2.10.1 Works undertaken

Ponds in Mahendragarh district were dug up without ensuring the availability of water.

An expenditure of Rs 86.19 crore was incurred on execution of 4,456 works during 2005-08 in the State. In test checked GPs, 416 works were executed at a cost of Rs 7.86 crore. Though these works provided employment but the secondary objective of creating durable assets beneficial for community was not fully achieved as discussed below:

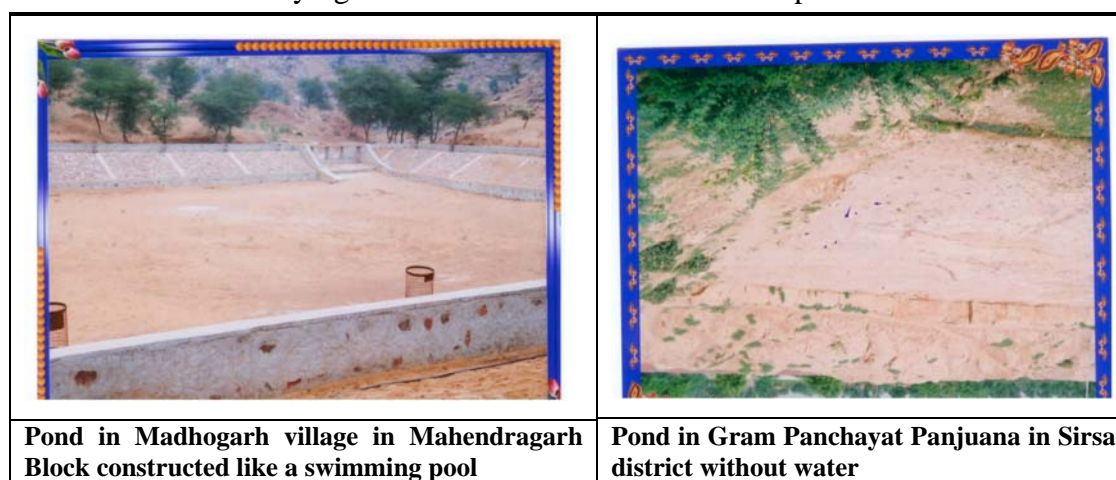
²⁴ Ateli Nangal: Reported mandays; MPR: 91,593 Actual: 86,052 Difference: 5,541.

²⁵ Nagina, Umari and Gumat Bihari.

An expenditure of Rs 8.37 crore²⁶ was incurred during 2006-08 on digging and desilting of 458 ponds in Mahendragarh district though the ponds dug up prior to implementation of NREGS in the same locality were without water. The Engineer-in-Chief, Irrigation Department intimated (February, 2006) the Revenue Department that since the area was undulating and sandy, construction of *pucca* watercourses with RCC pipe would be required for filling up these ponds with water for which additional financial assistance was needed, which was not provided. In these circumstances, proposal for digging up 458 ponds mooted by *Gram Panchayats* and approved by District Programme Coordinators without ascertaining the source of recharging of these ponds was not justifiable and rendered the expenditure of Rs 8.37 crore on these works infructuous. BDPOs of Mahendragarh and Ateli Nangal blocks admitted (September 2007) the above facts.

Expenditure on digging up of ponds without any planning rendered wasteful.

Detailed analysis of execution of these works in test checked districts revealed that while approving the works of digging of ponds, factors like necessity, catchments area, source of water, etc of these ponds were not conceptualised as detailed in *Appendix XXX* as a result of which ponds dug up in 10 villages at a cost of Rs 67.77 lakh were lying without water and rendered the expenditure wasteful.



Works of digging and desilting of distributaries were not executed systematically in consultation with line departments.

A sum of Rs 1.73 crore was spent on digging and desilting of distributaries during 2007-08 in Mewat district. Though NREGS guidelines provided for association of line departments, the works were executed by GPs in patches without associating line departments having expertise in the field. The works were not executed in a systematic manner and resulted in non-consolidation of embankments and digging of distributaries at irregular depths, which would hamper contiguity and regular flow of water at tail end.

In Sirsa district, works relating to desilting of canals, consolidation of embankments and digging at Ottu weir was executed without involving the EE, Panchayati Raj. The work relating to strengthening the embankments of Ghaggar River was executed by GP Panihari at a cost of Rs 24.01 lakh. It was noticed that

²⁶ Digging: Rs 6.82 crore and Desilting: Rs 1.55 crore.

instead of bringing sand from other place, it was managed by cutting the *bundh* nearby with the result that the *bundh* weakened.

Compaction of earth was not done on rural road works.

A sum of Rs 18.13 crore²⁷ had been spent on earth filling works on rural roads in Mahendragarh and Mewat districts. Compaction of earth, was, however, not done with the result that these roads were not able to provide all weather access. In selected Panchayats, a sum of Rs 19.44 lakh (2006-07: Rs 10.98 lakh and 2007-08: Rs 8.46 lakh) was paid to camel cart owners for carrying out earthwork. This was against the provisions of the scheme and resulted in generation of less person days.

Survival of plants was very low in test checked GPs.

A sum Rs 5.06 crore was spent on plantation during 2006-08. Out of 95 GPs, test checked, plantation was carried out in 5 GPs at a cost of Rs 3.87 lakh. The percentage of survival of plants ranged between zero and fifty in these GPs as detailed in *Appendix XXXI*. Concerned GPs attributed (April 2008) low survival of plants to non-maintenance of plants due to non-receipt of funds for the purpose. Thus, the expenditure on this component by and large was rendered unfruitful.

Under the scheme, funds were also to be used for making provision of irrigation facilities to farmers of scheduled caste families. A meagre sum of Rs 11 lakh was spent in 2007-08 on this component in Sirsa district. In the remaining districts, no expenditure was incurred for providing irrigation facilities to farmers belonging to scheduled caste families.

3.2.10.2 Execution of works without technical sanctions and splitting of works

As per instructions of State Government, technical sanction was to be obtained for all works at Junior Engineer (JE), Sub-Division Engineer (SDE) and Executive Engineer (EE) level for the works up to Rs 3 lakh, Rs 5 lakh and Rs 10 lakh respectively. Similarly, Administrative Approvals were to be accorded by *Gram Panchayat, Panchayat samiti* and *Zila Parishad* for the works up to Rs 3 lakh, Rs 5 lakh and Rs 10 lakh respectively.

Works were executed without technical sanctions and the works were split up to avoid sanction of higher authorities.

Test check of GPs revealed that an expenditure of Rs 1.90 crore was incurred on 141 works in which either expenditure exceeding Rs 3 lakh was split up or works were executed without obtaining technical and administrative sanctions as per details given in *Appendix XXXII*. The ADC, Sirsa, stated (April 2008) that all the BDPOs had been directed to get the approval of higher authorities and to avoid splitting of works.

²⁷ Mahendragarh: 2006-07: Rs 8.73 crore and 2007-08: Rs 3.87 crore and Mewat: 2007-08: Rs 5.53 crore.

3.2.11 Expenditure in contravention to scheme guidelines

Unspent funds of NFFWP were not utilised as per NREGS guidelines.

While releasing second instalment of Rs 1.57 crore under National Food for Work Programme (NFFWP), Ministry of Rural Development issued instructions (February 2006) that unutilised funds as on 2 February 2006 along with funds being released as second instalment would become part of NREGS. DRDA, Mahendragarh released²⁸ (February-March 2006) Rs 1.14 crore to Assistant Soil Conservation Officers (ASCOs) without imposing the condition that work would be executed through workers registered under NREGS. Scrutiny of records of ASCO Mahendragarh revealed that workers registered under NREGS were not engaged. Further, instead of engaging manual labour, tractors and camel carts were engaged on development of *kuchha* roads and payment of Rupees eight lakh was made to such camel cart/tractor owners through muster rolls.

As per guidelines, the scheme funds should not be used as a substitute for departmental plan funds of different departments and agencies. Funds from other programmes could be dovetailed with NREGS funds but not vice versa. Scrutiny of records revealed that Rs 8.50 lakh²⁹ were diverted and spent on laying of pipelines under water shed programme in contravention of scheme guidelines.

3.2.12 Grievance redressal, Social Audit, Monitoring and evaluation

3.2.12.1 Grievance redressal

As per guidelines, complaint registers were to be maintained at GP, Block and district level in which details of names, addresses of complainants, nature and date of complaints were to be entered. Aggrieved persons were to be given a dated and numbered receipt. After the disposal of grievances, date and nature of disposals were to be communicated to the complainants. Audit observed that complaint registers had not been maintained at any level in the districts test checked. There were numerous complaints of irregularities in muster rolls, non-issue of job cards and non-providing of employment by GPs, but no monitoring mechanism existed to ensure the redressal of complaints.

3.2.12.2 Social Audit

With a view to ensure public accountability and continuous public vigilance in the implementation of project, 'Social Audit' has been given a central role under the Act. Gram Sabha meetings were to be held at least once in every six months to review all aspects of social audit in which summaries of muster rolls, original bills and original files were to be produced for cross checking. Audit scrutiny revealed that social audit had not been conducted in test checked GPs of Mewat district. In

²⁸ Narnaul: Rs 0.37 crore and Mahendragarh: Rs 0.77 crore.

²⁹ GP, Kaluana of Dabawali Block: Rs 7.94 lakh and GP, Jhernali of Sirsa: Rs 0.56 lakh.

other districts, though the social audit system was in place, but it was not effective as public grievances and complaints were not addressed in the social audit reports being sent to GOI.

3.2.12.3 Monitoring and evaluation

According to guidelines, works were required to be inspected 100 *per cent* at block level, 10 *per cent* at district level and 2 *per cent* by State level officers every year. Audit scrutiny revealed that the inspections were deficient as the block level, district level and state level officers carried out inspections of 19, 7 and less than one *per cent* of works respectively. No mechanism was evolved to ensure that the shortcomings noticed during inspections were rectified. Further, District Internal Audit Cells were to be constituted to scrutinise the reports of GPs which was also not done.

State Government had not ascertained the expected outcomes as a result of implementation of the scheme such as creation of durable assets, reduction in the migration of people, strengthening of livelihood resource, increase in women's participation, purchasing power, etc.

3.2.13 Conclusions

The objective of the scheme to provide livelihood security to rural poor and creation of useful assets was not fully achieved. The scheme lost its momentum in 2007-08 as persondays generation declined during the year. Due to the absence of a proper planning mechanism at the State and district level, the assets created were by and large not beneficial to the community. Cases of delay in payment of wages, non-payment of unemployment allowance, use of machinery in labour oriented works, preparation of bogus muster rolls, payment of wages without obtaining signatures/thumb impressions from workers, double payment of wages, non-maintenance of records to bring about transparency and accountability, etc. were indicative of lack of checking and monitoring of the scheme at all levels.

3.2.14 Recommendations

- Perspective plan for five years and annual action plan of the districts should be prepared so as to achieve the objectives of the scheme fully.
- Proper maintenance of employment demanded and employment provided registers should be insisted upon.
- Job cards and correctness of details of households posted on these cards need to be reviewed.

- Line departments should be involved in execution of works to derive full benefits of the assets created.
- The vigilance mechanism and monitoring system should be strengthened to control malpractices in muster rolls and inquiries of the complaints regarding muster rolls should be conducted.

These points were referred to the Financial Commissioner and Principal Secretary to Government of Haryana, Rural Development Department in July 2008; reply had not been received (August 2008).

Housing Department

3.3 Working of Housing Board Haryana

Highlights

Performance audit of the activities of Housing Board Haryana showed that the Board has been making substantial profits. However, there were weaknesses in planning, financial management, contract management and execution of works. Achievement of physical targets in terms of construction of houses was far from satisfactory. There were cases of construction of houses without conducting demand survey, blocking of funds, excess expenditure on establishment of works division, etc. Besides, cases such as floating of new schemes without taking physical possession of land, execution of works at higher rates, etc. also indicated deficient working of the Board.

- **The Board incurred an expenditure of Rs 5.68 crore on establishment of Construction Division, Panchkula in excess of norms during 2003-08.**

(Paragraph 3.3.6.5)

- **Due to non-deposit of advance Income Tax, the Board had to pay penalty amounting to Rs 42.04 lakh.**

(Paragraph 3.3.6.6)

- **Against the target of construction of 26,304 houses during 2003-08, construction of 6,269 houses was taken up registering a shortfall of 76 per cent during this period.**

(Paragraph 3.3.8.1)

- **Due to construction of houses at Taoru without any demand survey, the houses had to be sold at lower rates, which resulted in a loss of Rs 1.56 crore.**

(Paragraph 3.3.8.2)

- **Land for 1,636 plots meant for Economically Weaker Sections allotted by Haryana Urban Development Authority at a concessional rate was utilised for construction of houses for Low Income Group.**

(Paragraph 3.3.8.3)

- **The Board purchased land worth Rs 73.08 lakh in Gurgaon which was under litigation.**

(Paragraph 3.3.9.1)

- **The Estate Manager, Rewari allotted adjoining land to house owners at the rates lower than the rates fixed by the Chief Administrator, which resulted in a loss of Rs 64.16 lakh to the Board.**

(Paragraph 3.3.11.1)

3.3.1 Introduction

The Housing Board Haryana (the Board) was set up in August 1971 under Haryana Housing Board Act 1971 with the main objective of providing built up houses to citizens of different income groups in the State, particularly to the Economically Weaker Sections (EWS) and Low Income Group (LIG).

The Board depends mainly on Haryana Urban Development Authority (HUDA) for purchase of land for construction of housing colonies.

3.3.2 Organisational set up

The Financial Commissioner and Principal Secretary to Government of Haryana, Housing Department is the administrative head at Government level. A Board consisting of members appointed by the State Government under Section 3 of the Act decides all policy matters. The Chief Administrator (CA) is the Chief Executive assisted by Chief Engineer, Secretary, Town Planner, Architect and Chief Accounts Officer at the Headquarters. In the field, there are five Construction Divisions located at Faridabad, Gurgaon, Karnal, Panchkula and Rohtak. The revenue and other dues from the allottees are collected by 12 Estate Managers (EM) which are under the charge of these Construction Divisions.

3.3.3 Audit objectives

The main objectives of audit were to check:

- the existence of a sound financial system;
- the efficacy of planning and survey and investigation for carrying out various housing schemes;
- adherence to the system for purchase/acquisition of land for housing schemes and utilisation thereof;

- execution of works in an efficient and economic manner;
- whether the dues from allottees were recovered correctly and in time; and
- the existence of monitoring and internal control system.

3.3.4 Audit criteria

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

- Provisions of the Haryana Housing Board Act 1971;
- Budget and fund management directions and procedures;
- Provisions of Land Acquisition Act and other directions of the Board;
- Implementation of scheme guidelines, contract management guidelines and procedures;
- Policy of the Board for allotment of houses to public; and
- Monitoring and internal control systems prescribed by the Board.

3.3.5 Scope of audit and methodology

Records relating to financial management, survey and planning, purchase of land, execution of works, allotment of built up houses to public and recoveries of dues from allottees for the period 2003-08 were scrutinised during November 2007-March 2008 in the offices of Chief Administrator of the Board located at Panchkula and four³⁰ Construction Divisions along with 10³¹ Estate Managers under them.

Construction Divisions for test-check were selected on the basis of expenditure incurred by these divisions and their geographical location in view of housing problems in the areas.

An introductory meeting was held in January 2008 with the Chief Administrator of Board in which important issues regarding functioning of the Board, audit objectives and audit criteria were discussed. Exit conference was held in August 2008 with the Chief Administrator of the Board to discuss the audit findings. The views of the Board were duly considered while finalising the review report.

³⁰ Faridabad, Gurgaon, Karnal and Panchkula.

³¹ Ambala, Faridabad (*Sector-3: Palwal; Sector-23 and Sector-55*), Gurgaon, Karnal, Kurukshetra, Panchkula, Panipat and Rewari.

Audit findings

3.3.6 Financial and physical performance

3.3.6.1 Profitability and working results

Housing Board Haryana is a profit making Board. Its profitability stems from the fact that it conducts its business on a cost plus basis. All costs incurred in construction of houses are passed on to the customers. The profitability of the Board is, therefore, not necessarily an indicator of its operational efficiency. The overall profit of the Board and its profit from construction of houses during the last five years is tabulated below:

(Rupees in crore)					
	2003-04	2004-05	2005-06	2006-07	2007-08
Profit on sale of houses	5.99	3.55	4.91	8.26	Accounts not prepared
Overall excess of income over expenditure	13.13	13.88	22.10	25.74	

Besides the profit on sale of houses, the other major sources of income for the Board were the interest from allottees and from its investments, and auction of houses and booths. As a result of consistent profits, the Capital Fund of the Board had increased from Rs 131.14 crore as on 31st March 2003 to Rs 202.90 crore as on 31st March 2007 registering an all time high profit growth of 54 *per cent* mainly due to a boom in the real estate market.

In spite of making profit on construction and sale of houses on an overall basis, the Gurgaon and Faridabad Divisions of the Board incurred losses of Rs 21.10 lakh (Faridabad), Rs 22.99 lakh and Rs 117.06 lakh (Gurgaon) during the years 2003-04, 2004-05 and 2005-06 respectively, as discussed in paragraph 3.3.8.2 below.

3.3.6.2 Financial outlay and expenditure

The Board generates its income from the sale of houses, auction of commercial buildings, rent, interest on bank deposits and also raises loans from Banks/Financial Institutions.

Audit scrutiny of financial management brought out loss of interest due to delay in transfer of funds to head office, extra expenditure on interest, avoidable loss due to delay in deposit of advance tax, etc. as detailed below:

Year-wise budget provision and expenditure of the Board was as under:

(Rupees in crore)			
Year	Budget provision	Actual expenditure	Savings
2003-04	55.71	46.50	9.21
2004-05	52.20	40.33	11.87
2005-06	73.87	62.18	11.69
2006-07	112.65	98.15	14.50
2007-08	123.08	113.21	9.87
Total	417.51	360.37	57.14

Audit observed that out of the total expenditure of Rs 360.37 crore, Rs 58.24 crore (16 *per cent*) were spent on purchase of land, Rs 168.80 crore (47 *per cent*) on works, Rs 76.32 crore (21 *per cent*) on payment of Income Tax and Rs 54.91 crore (15 *per cent*) on establishment expenditure and Rs 2.10 crore on other miscellaneous payments during 2003-08.

3.3.6.3 *Loss of interest due to delay in transfer of funds to head office*

Funds collected by the Estate Managers through banks on account of instalments of houses and other receipts were kept in current account, on which no interest was earned. Funds from branches were being transferred to the head office account and surplus funds out of this account were being invested in Fixed Deposits by the head office.

The Chief Accounts Officer of the Board after receiving the bank statements from the concerned Estate Managers issued cheques after the 10th of the following month to respective banks for transfer of funds to the head office account. It was noticed that HUDA had made arrangements with banks for automatic transfer of funds from its branch offices to head office on weekly basis but no such arrangement was made by the Board. A few cases scrutinised by audit revealed that due to absence of such an arrangement of automatic transfer of funds from branch offices to head office, delays ranging between 1 to 34 days occurred in transfer of funds during this period. As a result of this, the Board suffered a loss of interest of Rs 17.05 lakh.

The Chief Administrator of the Board issued (April 2007) instructions to make arrangement for automatic transfer of funds from branch offices to head office but no action had been taken in this regard so far (March 2008).

3.3.6.4 *Extra expenditure on interest*

During 1988-90, the Board raised a loan of Rs 1.10 crore (Rs 55 lakh in each year) from banks as debentures at the interest rate of 11.5 *per cent* for 20 years. Interest of Rs 6,32,500 (half yearly) was being paid to the banks regularly. Even though the interest rates had been falling progressively in recent years, the Board made no attempt to surrender these debentures prematurely. It was noticed that the Board had sufficient funds in Fixed Deposit Receipts on which the rate of interest was less as compared to the rate on debentures. A bank had allowed pre-payment of debentures to Punjab Financial Corporation but since the Board had not pursued the matter with the banks for pre-payment of debentures, it lost Rs 18.42 lakh on excess payment of interest during the period 2003-08 (Rs 63.25 lakh paid as interest on debentures less Rs 44.83 lakh earned on FDRs).

3.3.6.5 *Excess expenditure on works establishment*

Public Works Department Code provides that unless the Government directs otherwise, the provision to be made for establishment expenditure should be limited to 25 *per cent* of the works expenditure.

In Construction Division, Panchkula, an expenditure of Rs 5.68 crore was incurred during 2003-08 over and above the norms on the establishment as per details given below:

(Rupees in crore)

Year	Works expenditure	Establishment expenditure	Expenditure on establishment to be incurred as per norms	Excess expenditure on establishment
2003-04	2.88	1.82	0.72	1.10
2004-05	3.17	1.79	0.79	1.00
2005-06	2.54	1.72	0.63	1.09
2006-07	0.74	1.60	0.18	1.42
2007-08	1.79	1.52	0.45	1.07
Total	11.12	8.45	2.77	5.68

An expenditure of Rs 8.45 crore was incurred on works establishment against the norm of spending Rs 2.77 crore.

The Chief Administrator stated (August 2008) that efforts were being made to reduce the expenditure on establishment by reorganising the staff.

3.3.6.6 Avoidable loss due to delay in deposit of advance tax

Non-deposit of advance Income Tax resulted in payment of penalty of Rs 42.04 lakh.

As per the provisions of Income Tax Act, every person is liable to pay advance tax if tax payable amounts to Rs 5,000 or more. In case of default, interest/ penalty is leviable. The Board did not deposit the advance income tax on due dates and consequently had to pay interest/penalty of Rs 42.04 lakh as detailed below:

Sr. No.	Financial Year	Assessment Year	Amount of penalty (Rupees in lakh)
1.	2003-04	2004-05	18.40
2.	2004-05	2005-06	9.66
3.	2005-06	2006-07	8.24
4.	2006-07	2007-08	5.74
Total			42.04

Chief Administrator of the Board stated (July 2008) that the matter regarding registration of the Board as a charitable institution was pending with the Income Tax Department and as such advance tax was not deposited on the advice of tax consultant. Reply was not tenable as advance payment of the tax was mandatory irrespective of the pendency of the case under the Income Tax Act. Moreover, the Board was penalised year after year but still did not take any action to avoid payment of penalty during the coming years.

3.3.7 Operational Performance

The main objective of the Board is to provide housing to the general public residing in the State with particular emphasis on housing for the weaker and lower income sections of the Society. Out of a total 65,570 houses constructed by the Board from its inception, as many as 33,473 houses (51 per cent) were meant for LIG. However, only 11,641 houses were built for EWS which was relatively small (18 per cent). Out of the 3,499 houses completed during 2003-08, only 454 (13 per cent) were meant for EWS. All these houses too were completed only in 2007-08. Thus, during the five year period of 2003-08, no houses were made available to EWS category for four years from 2003-07. The benefit of housing

could, therefore, not be extended to the most vulnerable sections of the society to the extent desirable.

A typical housing project of the Board involves the stages of **planning and survey, acquisition of land, execution of works and thereafter allotment of houses**. The operational performance of the Board was, therefore, assessed in audit with reference to its performance in each of these stages. Important findings are discussed below.

3.3.8 Planning and survey

The Board does not prepare a perspective plan for the projects to be undertaken by it, depending upon the paucity or demand for housing at various locations under different categories. It prepares an annual housing programme, budget and fixes the annual target for taking up construction of houses for different categories. This annual programme is based upon the availability of land from HUDA rather than any survey of requirement and demand. The fickleness of this planning is further compounded by the fact that audit came across no evidence to suggest that there were any firm commitments from HUDA regarding making land available to the Board for construction of houses. In these times of real estate boom and a demand driven scenario, this approach does not pose any serious risks. However, it would stand exposed in times of slump in the real estate market if suitable systemic corrections are not made to ensure taking up of demand based projects.

Besides this strategic planning issue, audit came across a number of instances which were indicative of deficient planning at the project level which resulted in either the objectives of the scheme not being met or caused financial loss.

3.3.8.1 *Non-achievement of financial and physical targets of construction of houses*

The year-wise position of financial and physical targets set in annual housing programme of the Board and achievements in respect of houses constructed during 2003-08 was as under:

Year	(Rupees in crore)			(Number of houses)		
	Budget provision	Expenditure	Shortfall	Target for taking up construction of houses	Taken up during the year	Shortfall
2003-04	19.49	13.84	5.65	3,750	794	2,956
2004-05	17.03	14.79	2.24	3,226	566	2,660
2005-06	26.38	25.28	1.10	4,104	2,328	1,776
2006-07	54.52	51.39	3.13	6,338	743	5,595
2007-08	54.65	63.50	(-)8.85	8,886	1,838	7,048
Total	172.07	168.80	3.27	26,304	6,269	20,035

There was 76 per cent shortfall in achievement of targets of construction of houses.

There was shortfall in achievement of targets to the extent of 20,035 houses (76 per cent). Audit observed that there was no co-relation between the targets and achievements in any of the years and thus, the process of setting the targets and preparing the action plan for their achievement was ineffective. Since the Board depended mainly on HUDA for purchase of land, shortfall in achievement of targets of construction of houses was to an extent attributable to availability of land by HUDA. There was also an imbalance between the achievement of financial targets vis-à-vis physical targets as the shortfall in financial targets (1.90 per cent) was much lower than the shortfall in physical targets.

The expenditure incurred per dwelling unit taken up for construction during the year and the rate of completion of houses with reference to the houses under construction at the start of the year is shown below:

Years	Expenditure	Under progress at the start of the year	Taken up during the year	Under construction during the year	Completed during the year	In progress at the close of year	Expenditure per house under construction (2/5)
	(Rupees in crore)	(Number of houses)					(Rupees in lakh)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2003-04	13.84	452	794	1,246	513	733	1.11
2004-05	14.79	733	566	1,299	477	822	1.14
2005-06	25.28	822	2,328	3,150	633	2,517	0.80
2006-07	51.39	2,517	743	3,260	714	2,546	1.58
2007-08	63.50	2,546	1,838	4,384	1,162	3,222	1.45

The above analysis indicated that while the construction expenditure incurred on each house during the year had increased, the physical pace of construction had decreased as the houses completed during the year as compared to the houses in progress at the start of the year had gone down over the five years.

The Chief Administrator stated (August 2008) that since the Board depended mainly on HUDA for purchase of land, shortfall in achievement of targets for construction of houses was due to non-availability of land in adequate quantity. The reply indicated lack of co-ordination between the Board and HUDA, which was necessary for successful implementation of housing schemes.

3.3.8.2 Construction of houses without demand survey

Any housing project has to be preceded by a demand survey to determine the extent of demand for houses in the area. Failure to do so could result in houses not being sold.

Out of 140 houses constructed (1996) at Taoru, 51 LIG and 69 MIG built up houses had to be allotted (2003-06) at a price of Rs 2.43 crore against the actual cost of Rs 3.99 crore due to low demand of houses in the area. Construction of houses without carrying out a demand survey, thus, resulted in loss of Rs 1.56 crore to the Board.

Loss of Rs 1.56 crore due to construction of houses without demand survey.

The Executive Engineer, HBH Division, Gurgaon attributed (March 2008) the loss to fall of rates of property in the market. Reply was not convincing as the price of houses fixed by the Board was not based on the market price/fluctuation at all.

Similarly, in another case, the Board, without specific demand, constructed 3,033 houses in 1980 at 44 places under Rural Housing Scheme at a cost of Rs 1.85 crore, out of which only 1,797 houses were sold. The remaining 1,236 houses were dismantled and the loss of Rs 57.10 lakh was written off by the Board in March 2006.

3.3.8.3 Utilisation of land meant for EWS houses towards LIG houses

Land worth Rs 3.85 crore meant for EWS category houses was utilised for construction of LIG category houses.

Haryana Urban Development Authority allotted (January-February 2002) land for 1,636 plots of one, two and three *marla* size at Faridabad (1,227 plots) and Hisar (409 plots) for construction of houses for EWS category at a concessional rate of Rs 3.85 crore. The land was utilised by the Board for construction of LIG houses. Alternate site for EWS houses had not been identified. Thus, not only were the people of EWS deprived of housing, the benefit of subsidised land was also diverted away from the weaker section of the society.

3.3.8.4 Expenditure incurred on activities not covered under the Act

As per Section 20 of the Haryana Housing Board Act, the Board is to frame and execute such housing schemes as it may consider necessary from time to time or as may be entrusted to it by the State Government by notification.

Construction Division, Panchkula, however, incurred an expenditure of Rs 18.76 lakh during 2003-06 on the maintenance of Netaji Subhash Chander Park at Ambala Cantt. belonging to Municipal Committee without any notification of the State Government, which was in violation of the provisions of the *ibid* Act. The Chief Administrator stated (August 2008) that the expenditure on the work was incurred on the directions of the then Chief Minister. The reply was not acceptable as the expenditure should have been incurred only after the notification of the Government as provided for in the Act.

3.3.9 Acquisition and purchase of land

The position of financial/physical targets and achievements relating to land purchased/possessed during 2003-08 was as under:

Year	(Rupees in crore)			(Area of land in acre)		
	Financial targets/achievements			Physical targets/achievements		
	Targets fixed	Achieved	Short fall	Targets fixed	Achieved	Short fall
2003-04	17.29	17.26	0.03	41.17	16.28	24.89
2004-05	12.28	2.63	9.65	81.89	16.27	65.62
2005-06	21.17	11.32	9.85	57.52	21.12	36.40
2006-07	20.49	12.61	7.88	78.77	16.44	62.33
2007-08	25.15	14.42	10.73	143.52	10.00	133.52
Total	96.38	58.24	38.14	402.87	80.11	322.76

As is evident from the above table, against the target of spending Rs 96.38 crore on purchase of land, Rs 58.24 crore were actually spent. Further, there was shortfall of 80 *per cent* in achievement of physical targets for purchase of land. It could also be seen that the actual cost of land was much higher than that provided for while fixing the targets each year. Though a part of it could be ascribed to payment of enhanced land compensation and increase in cost of land from time to time, yet it indicated a lack of dove-tailing between the financial and physical targets.

As already mentioned, the Board is dependent upon HUDA for the availability of land. Audit came across instances where projects floated by the Board had to be shelved or altered due to problems with the land allotted by HUDA.

3.3.9.1 Purchase of land under litigation

The EWS houses could not be constructed due to purchase of land under litigation.

The Board purchased (December 2004) 188 plots of 3 *marla* size from HUDA for Rs 73.08 lakh in Sector 52, Gurgaon for construction of EWS houses. Of these, approach road to 140 plots was under litigation as of July 2008 due to which construction of houses could not be taken up. The Board floated (November-December 2004) the scheme and 28,052 applications were received in response thereto. Draw of lots for allotment of houses was held in September 2005. The scheme, however, could not be implemented as the land was under litigation as of July 2008 and the funds remained blocked. As the earnest money of the applicants had not been refunded, the Board would also be liable to pay interest in case of non-allotment of houses within two years from the closing date of registration.

3.3.9.2 Floating of scheme without availability of land

The scheme for allotment of houses was floated without obtaining physical possession of land.

The Estate Officer, HUDA, Gurgaon allotted (March 2004) 109 plots (2 *marla*: 48 and 3 *marla*: 61) in Sector 10, Gurgaon to the Board for construction of houses for EWS category. Rupees 9.06 lakh (25 *per cent* of total cost of land) were deposited (March 2004) by the Board with HUDA. The Board floated (November 2004) the scheme for allotment of houses to be constructed on this land and declared (September 2005) the names of 236 successful applicants. When the construction wing of the Board approached HUDA for physical possession of this land, it was found that HUDA had already allotted the said plots to the public in 1994-95. The allotment was later withdrawn (May 2005) by HUDA and an alternate site was allotted (August 2005) in Sector 9, Gurgaon, but the physical possession of this site had not been handed over so far (March 2008). It was observed in audit that the Board floated the scheme without obtaining the physical possession of land. The Board also failed in obtaining the physical possession of plots at the alternate site even after the lapse of two and half years of allotment which resulted in non-implementation of the scheme for EWS category. The Board was also liable to pay interest to applicants on their deposits from the closing date of registration of the scheme i.e. December 2004.

3.3.10 Execution of works

The Board follows PWD Code alongwith relevant financial rules and manuals. The Board undertakes construction of houses on the land developed by HUDA. The colonies developed by the Board are maintained by HUDA except in a few cases where colonies are maintained by the Board itself. The overall position as regards the construction of houses by the Board has already been discussed in paragraph 3.3.8.1. A micro level analysis of the execution of various individual works undertaken by the sampled divisions of the Board during the period under review brought out cases of allotment of work at higher rates, losses due to delay in construction, execution of works without technical sanctions, non-recovery of compensation from contractors, etc. as discussed in the following paragraphs.

3.3.10.1 Extra expenditure due to allotment of work at higher rates

Extra expenditure of Rs 1.84 crore was incurred due to execution of a work at higher rates.

Construction Division, Rohtak invited tenders (December 2005) for “construction of 298 various types of houses in Sector 7, Bahadurgarh” and cost of construction was worked out to Rs 10.89 crore on the basis of rates of lowest tenderer. The lowest tenderer M/s Sai Constructions, however, refused (March 2006) to execute the work at these rates and also did not deposit the balance earnest money of Rs 19.20 lakh. Consequently, earnest money of Rupees five lakh deposited by the contractor was forfeited. The Board did not consider the allotment of work to the second lowest tenderer who had quoted Rs 12.18 crore and invited fresh tenders and finally the work was allotted (October 2006) to a fresh contractor at a cost of Rs 14.02 crore. Had the work been allotted to the second lowest tenderer in the first instance, an extra expenditure of Rs 1.84 crore could have been avoided. During the exit conference, the Chief Administrator agreed with the audit contention.

3.3.10.2 Loss of rebate of interest due to delay in construction

Non-completion of construction of houses within stipulated period resulted in rebate of interest of Rs 29.55 lakh.

Regulation 5(2) of the Housing Board (Allotment, Management and Sale of Tenements) Regulations, 1972 lays down that the applicant shall not be entitled to any interest on the amount of earnest money or such initial payment where the Board allots him/her a house within a period of two years from the closing date of registration. In other cases, where the Board fails to allot houses within the stipulated period, interest on earnest money or such other deposits for the allotment of a house shall be payable for the period from the closing date of registration to the date of allotment or date of refund.

Registration of various categories of houses for Sector 7, Bahadurgarh (Phase-III) was done during May-June 2004. The houses, however, were allotted in September 2007 i.e. after the expiry of more than three years of registration. Accordingly, rebate of interest of Rs 29.55 lakh had to be given at the time of calculating allotment-cum-final cost on these houses. Had the houses been completed within a period of two years, interest rebate of Rs 29.55 lakh could have been avoided.

3.3.10.3 Irregular expenditure on works

Paragraph 2.89 of the PWD Code lays down that no work should be commenced and expenditure incurred unless detailed estimate is prepared and technically sanctioned by the competent authority. It was, however, noticed in audit that this procedure was not being followed in the Board.

During 2006-08, test checked divisions had undertaken the execution of 13 works involving an expenditure of Rs 39.85 crore on the basis of administrative approvals. Neither any detailed estimates were prepared nor technical sanctions were obtained from the competent authority. The EE, Construction Division, Gurgaon stated (March 2008) that the technical sanctions would be obtained from the competent authority on the basis of actual quantities. The reply was not convincing as the technical sanctions were required to be obtained before start of the works.

3.3.10.4 Non-availing of rebate due to delay in construction of houses

For the construction of 256 nine storey flats in Housing Complex, Sector-43, Gurgaon, the Board purchased (August 2003) 5.66 acre of land from HUDA at a cost of Rs 8.13 crore. As per condition of allotment, 20 *per cent* rebate on the cost of land was available in case buildings were constructed within a period of three years. Assuming that Board would be able to complete the project within the prescribed period of three years, Rs 6.50 crore (80 *per cent* cost of land) were paid by the Board. The project was required to be completed by August 2006 but is still under construction (March 2008) as the Board took more than one year in finalising the tender.

Failure to complete the construction of houses within stipulated period resulted in non-availing of rebate of Rs 2.03 crore.

The Board would not, therefore, be able to avail the rebate of Rs 1.63 crore and would also be liable to pay interest of Rs 1.10 crore on account of delay in making the payment of rebate already availed. The Chief Administrator stated (August 2008) that being a big project, it could not be completed within the stipulated period. The reply was not acceptable as the matter was not taken up with HUDA for extension of time for availing the rebate.

Similarly, a four *acre* land was purchased by the Board for construction of houses under group housing scheme at Sector 46, Faridabad. Rupees two crore were paid to HUDA in May 1996. The construction work was to be completed up to May 2001 (extended due to court stay) to enable the Board to avail 20 *per cent* rebate on the cost of land. The work was, however, completed in October 2004. As a result of this, the rebate of Rs 40 lakh had to be foregone by the Board. Scrutiny of the records revealed that the EE, Faridabad Division was held responsible for the delay in the construction of houses by CE. However, no further action was taken against the EE.

The Board failed to recover compensation amounting to Rs 3.64 crore.

3.3.10.5 Non-recovery of compensation from contractors

As per the provisions contained in clause-2 of the contract agreement, compensation at the rate of 10 *per cent* of the agreement amount was recoverable from the contractor for not completing the work within the scheduled time.

It was noticed in 10 cases in two divisions (Faridabad four and Gurgaon six) that the contractors did not complete the works within the scheduled time/extended time limit. Further time extension had also not been granted by the competent authority. A period ranging between 6 and 17 months had elapsed but compensation amounting to Rs 3.64 crore had not been recovered so far (March 2008). Non-recovery of compensation amounted to grant of undue favour to the contractors.

3.3.10.6 Fire fighting systems remaining non-functional

The work for providing fire fighting systems in Housing Board Colony, Sector 14 and Awas Bhawan, Sector-6, Panchkula were allotted (November 1994) to M/s Fire Guard Engineers, Chandigarh without calling tenders. An expenditure of Rs 91.99 lakh (Rs 53.59 lakh and Rs 38.40 lakh) was incurred on both the works which were completed in 1995 and 1997 respectively.

The Fire Officer, Urban Development, Haryana during inspection pointed out (April 2002) that the fire extinguishers were never tested/refilled, delivery hose pipes had turned unserviceable, branch pipes were not provided in the hose cabinet, surrounding of buildings were not cleared for the movement of fire vehicles and pressure switches and pressure gauge were out of order.

The Board prepared (September 2002 and May 2002) two estimates for Rs 26.75 lakh and Rs 1.55 lakh respectively to make the systems functional. However, the systems remained non-functional, as these estimates had not yet been approved (March 2008). The Executive Engineer, Construction Division, Panchkula while admitting stated (December 2007) that the system requires repairs. Thus, the fire fighting infrastructure created at a cost of 91.99 lakh was lying idle in the absence of which the buildings had no protection against fire hazard.

3.3.11 Allotment of houses

Built up houses are allotted by draw of lots from the applications received from the public. All the successful applicants are issued a letter of allotment indicating all terms and conditions of allotment and the mode of payment. The details of number of houses constructed and allotted by the

Board during 2003-08 were as under:

Year	Opening balance	Constructed during the year	Total	Allotted/sold out	Balance
2003-04	1,114	513	1,627	1,558	69
2004-05	69	477	546	546	-
2005-06	-	633	633	534	99
2006-07	99	714	813	765	48
2007-08	48	1,162	1,210	83	1,127

Against the availability of 1,210 constructed houses, only 83 were allotted during 2007-08. Audit scrutiny revealed that houses could not be allotted due to non-issuance of completion certificates in most of the houses by the engineering wing of the Board.

3.3.11.1 Loss due to sale of adjacent land to house allottees at lower rates

There was some open land belonging to the Board adjacent to five houses in Housing Board Colony Sector-4, Rewari. It was noticed that the Estate Manager, Rewari allotted (October 2006) the land adjacent to these houses at the rate of Rs 2,968 per sq. yd instead of Rs 7,500 per sq. yard as fixed (September 2006) by Chief Administrator of the Board. This caused a loss of Rs 64.16 lakh to the Board as detailed below:

(Rupees in lakh)				
Sr. No.	House Number	Amount charged in the allotment letter	Amount chargeable at the rate Rs 7,500/- per sq. yard	Amount less charged
1.	2267	3.47	19.93	16.46
2.	2302	1.04	13.84	12.80
3.	2153	1.09	11.69	10.60
4.	2221	1.06	11.61	10.55
5.	2196	3.19	16.94	13.75
Total		9.85	74.01	64.16

Allotment of land adjoining to houses at lower rates resulted in a loss of Rs 64.16 lakh.

Efforts made by the Board to cancel the allotment were turned down (October 2007) by the District Consumer Disputes Redressal Forum, Rewari. No action had been taken so far (March 2008) against the officers/officials responsible for this lapse. The Chief Administrator of the Board stated (August 2008) that the then Estate Manager was being charge sheeted for the loss caused to the Board.

3.3.11.2 Non-compliance of allotment conditions

Allottees of built up houses of the Board were required to comply with the conditions mentioned in the allotment letters which, *inter alia*, provided that the allottee would not make any alteration in the tenement without prior approval of the Board and also of the concerned local authority. The allottees, however, violated these conditions and made alterations and additions in their tenements without approval of the concerned authority. In a case, the allottee of a house at Gurgaon even constructed a basement after demolishing the original house and



also covered the adjoining land under construction of the house. In many cases first and second floors were constructed. These additions/alterations were made without any permission from the Board. The Board had not evolved any policy to levy compounding fee on violators of terms and conditions on the pattern of HUDA. The concerned local authority or the Board did not stop construction of these unauthorised structures at any stage.

3.3.12 Recovery of dues from allottees

Year-wise position in respect of instalments due from allottees and actual recoveries made is given below:

(Rupees in crore)

Year	Total demand	Recovery	Arrears	Percentage of recovery
2003-04	33.92	32.98	0.94	97.23
2004-05	37.31	36.47	0.84	97.75
2005-06	43.63	43.07	0.56	98.72
2006-07	39.58	38.83	0.75	98.11
2007-08	37.17	36.43	0.74	98.00

The Board accounts for the total sale value of the houses at the time of the sale and the amount recoverable in instalments is then included in sundry debtors. The position of sundry debtors in so far as it pertained to house and booth allottees over the five year period was as under:

(Rupees in crore)

Year	2003-04	2004-05	2005-06	2006-07	2007-08
House allottees	127.02	115.69	114.78	117.19	Accounts not prepared
Plot and booth allottees	16.67	14.16	15.13	20.17	
Total	143.69	129.85	129.91	137.36	

The progressive increase in sundry debtors from 2004-05 onwards was attributable to rising number of houses completed during these years. The Board had not made any further provision for bad and doubtful debts in any of the last five years which indicated that it considered the entire amount due from the allottees as recoverable. However, all the debtors were unreconciled and unconfirmed and the allottee wise registers maintained by the Board were incomplete.

3.3.13 Monitoring and internal control

No monitoring cell was created in the Board to watch the progress of works and actual possession of land purchased from the HUDA and to monitor recoveries of dues from the allottees.

Internal Control System in the Board was deficient. The receipts of instalments and other dues entered in the allottees' ledgers (Demand and Recovery Register), maintained in the Estate Offices, were not reconciled with the bank statements. Outstanding dues were not being worked out in these ledgers and entries made in the ledgers were not being attested by the concerned Estate Managers. Because of this, embezzlement of Rs 1.15 crore in Estate Office, Karnal during 2004-06 and Rs 11.24 lakh in Estate Office, Palwal during 2002-05 had taken place. The staff posted in these Estate Offices used to make fraudulent entries of the receipts in the ledgers, which remained unnoticed for years together. No steps were taken by the Board to plug these loopholes in the maintenance of records in Estate Offices of the Board.

3.3.14 Conclusions

Housing Board Haryana is a profit making organization. However, its profitability can be attributed primarily to the sector in which it operates, which has seen a boom in recent times, and to the sale of houses on cost plus basis. The Board lacked a long term planning perspective as its annual planning was based merely on availability of land made by HUDA and not on demand or requirement for housing, which can be an area of risk at the time of tight market conditions. While it had done well in building houses for the lower income groups, a thrust on providing housing to the economically weaker sections of the society was lacking and in fact, audit threw up cases where projects initially planned for this category were either abandoned or diverted for other categories. The audit review of the various projects undertaken by the Board also brought out areas of inefficiency at various stages. The Board lacked an integrated approach in the management of its finances as its system of transfer of funds was slow and it was carrying high cost loans while it had large amounts invested in lower yielding instruments. Unlike other urban development agencies, the Board had no system of levying compounding fee for violation of building by-laws.

3.3.15 Recommendations

Based on the performance audit of the Board, following recommendations are made:

- The Board needs to formulate its plans on a longer term perspective keeping in view the requirement of housing at various locations and for various categories, which can then be broken down into annual action or work plans;
- the Board should take up the construction of houses only after proper demand survey and ensuring the demand of houses in the particular area;
- housing for economically weaker sections of the society should receive the same priority, if not more, as for other categories;
- proper system should be devised in consultation with banks for automatic transfer of funds to head office from branch offices;
- the Board should frame a policy to levy compounding fee for the violation of building by-laws on the pattern of HUDA; and
- vigilance mechanism and monitoring system should be strengthened to avoid delayed execution of works.

These points were reported demi-officially to the Financial Commissioner and Principal Secretary to Government of Haryana, Housing Department in May 2008; their reply had not been received (August 2008).