OVERVIEW

The Report includes two Chapters containing observations on Finance and Appropriation Accounts of the Government of Haryana for the year 2007-08 and three others comprising 4 reviews and 24 paragraphs dealing with the results of performance audit of selected programmes and schemes as well as audit of the financial transactions of Government.

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

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

1. Finances of the State Government

The fiscal position of the State, viewed in terms of the trends in fiscal parameters revenue, fiscal and primary deficit/surplus indicated a mixed trend as in 2007-08 relative to the previous year. Fiscal surplus turned into deficit of Rs 1,264 crore; primary surplus though maintained, declined sharply by Rs 2,362 crore while revenue surplus increased by Rs 634 crore. The State maintained an increase in revenue surplus mainly due to improvement in mobilization of its own resources and keeping the growth in revenue expenditure (seven *per cent*) at the lowest during the last five years (2003-08). However, a cushion of Rs 2,034 crore by way of recovery of loans from power projects through book adjustments available in 2006-07 vanished during the current year as a result of which fiscal deficit increased sharply and primary surplus dwindled in 2007-08 over the previous year. The expenditure pattern of the State reveals that though the revenue expenditure as a percentage to total expenditure indicated a declining trend, it still constituted around 82.5 *per cent* of the total expenditure during 2007-08 and its Non-Plan Revenue Expenditure (NPRE) component at Rs 14,351 crore during 2007-08 exceeded significantly both the normative projection of the Twelfth Finance Commission for the State (Rs 9,602 crore) and the State's projection in its Fiscal Correction Path (FCP) (Rs 13,000 crore). Moreover, about 79 *per cent* of NPRE consisted of four components–salary expenditure, pension liabilities, interest payments and subsidies during 2007-08. Again, 84 *per cent* (Rs 2,568 crore) of the total subsidies were for the power and energy sector which was more than 1.5 times the State's own projection of Rs 1,530 crore in FCP for 2007-08. These trends in expenditure highlight the need for changing allocative priorities. Similarly, although expenditure under the capital head has increased by Rs 998 crore during 2007-08 over the previous year, yet a major proportion (85 *per cent*) of the incremental capital expenditure was in the form of investment in equity shares of various power corporations. The investments in statutory corporations, joint stock companies and co-operatives increased by 30 *per cent* during the year 2007-08 over the previous year, but the return on these investments was negligible (less than one *per cent*) vis-à-vis the higher cost of borrowed funds putting directly or indirectly a strain on the fiscal budget of the State and therefore a cause of concern.

2. Allocative Priorities and Appropriation

As against the total appropriation of Rs 25,846.76 crore, the actual expenditure during 2007-08 was Rs 23,650.73 crore resulting in a final saving of Rs 2,196.03 crore. Supplementary provision of Rs 78.53 crore obtained in four cases during the year proved unnecessary as the expenditure in each case was less than the original provision. In 11 cases, the entire budget provision aggregating to Rs 1,658.71 crore remained unutilised.

The expenditure of the Government exceeded the budget provision during the year in six cases involving five grants/appropriations by Rs 429.72 crore. Such excesses aggregating to Rs 885.61 crore pertaining to the years 2005-06 and 2006-07 had not been regularised (July 2008).

3. Haryana Community Forestry Project

Performance Audit of Haryana Community Forestry Project brought out mixed results in the implementation of the project. Although the physical targets under most of the plantation components were more or less achieved but survival of plants was 17.58, 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 incurred on these plantations was, therefore, rendered wasteful. An expenditure of Rs 1.10 crore was incurred on plantation in the areas which did not fulfil the selection criteria. Plantation of over 7,880.70 hectare area was not handed over to the Village Resources Management Committees (VRMCs) even after the lapse of the prescribed period of three years of plantation. The overall capability of most of the 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 as only half of the households utilised improved cooking *chulhas*. Use of alternative energy sources was not adopted, as a result of which pressure remained on the use of fuel wood and cowdung. Impact of the project on the environment was also not encouraging.

(Paragraph 3.1)

4. National Rural Employment Guarantee Scheme (NREGS)

The basic objective of NREGS was to enhance livelihood security in rural areas by providing 100 days guaranteed employment, besides creating durable community assets. The performance audit disclosed that the scheme started in Mahendragarh and Sirsa districts (February 2006), lost momentum in the second year. Though employment was provided to 36 *per cent* households but assets created were not by and large beneficial to the community. District perspective plan for five years and annual plans for implementation of the scheme were not prepared. There were cases of over payment of wages, double payment of wages to the same persons and payments shown as disbursed without obtaining signatures/ thumb impressions of workers. Similarly, there were a large number of complaints regarding use of machines in execution of works and insertion of bogus names in muster rolls. 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. Works worth Rs 1.90 crore were executed either without obtaining technical sanctions or were split up to avoid sanction of higher authorities.

(Paragraph 3.2)

5. Working of the Housing Board Haryana

Performance audit of the activities of Housing Board Haryana showed that there was substantial improvement in the financial position of the Board. However, there were weaknesses in planning, financial management, contract management and execution of works. The Board incurred an expenditure of Rs 5.68 crore on establishment of Construction Division, Panchkula in excess of norms. Due to non-deposit of advance Income Tax, the Board had to pay a penalty amounting to Rs 42.04 lakh. Against the target of construction of 26,304 houses during 2003-08, construction of only 6,269 houses (24 *per cent*) was taken up during this period. Construction of houses at Taoru without any demand survey resulted in a loss of Rs 1.56 crore. Land for 1,636 plots meant for the Economically Weaker Sections allotted by Haryana Urban Development Authority at a concessional rate was utilised for construction of houses for Low Income Group. The Estate Manager, Rewari allotted adjoining land to house owners at rates lower than the rates fixed by the Chief Administrator, which resulted in a loss of Rs 64.16 lakh.

(Paragraph 3.3)

6. Internal Controls in Jail Department

Internal Control is an integral component of an organization's management processes which are established in order to provide reasonable assurance that the operations are carried out effectively and efficiently and the applicable laws and regulations are complied with. A review of internal controls in selected areas of the Jail Department revealed non-compliance to budget and expenditure controls, rush of expenditure in the month of March, non-compliance to provisions of the Jail Manual, etc. Maintenance of cash-book and its reconciliation with the treasury schedules was found to be deficient giving rise to the possibility of misappropriation of funds remaining undetected. No action was taken to transfer prisoners from overcrowded jails to other jails to keep the number of prisoners balanced in all the jails. Out of 148 prisoners released on parole/furlough, 93 did not report back due to lack of co-ordination between Police and Jail Departments. No system was adopted to post employees in various jails on the basis of capacity or actual number of prisoners. Internal Audit was also non-functional despite staff being in position.

(Paragraph 5.1)

7. Results of Transaction Audit

Audit of financial transactions, subjected to test-check, in various departments of the Government and their field functionaries revealed instances of losses and wasteful spending of Rs 30.11 crore as mentioned below:

There were three cases of loss of Rs 0.93 crore due to suspected embezzlement, payment of interest and mobilisation advance.

There were nine cases of excess, wasteful, unfruitful and extra expenditure of Rs 11.87 crore which includes wasteful expenditure on conducting Below Poverty Line household survey due to scrapping of the survey.

Cases of undue favour to contractor and avoidable expenditure of Rs 4.01 crore include instances of inadmissible payment to Government employees and avoidable payment of bank commission on demand drafts.

There were two cases of blocking of funds of Rs 13.14 crore including one case of Rs 12.33 crore on blocking of funds due to tardy implementation of Hisar-Ghaggar drain project.

Audit also came across instances of regulatory and other issues amounting to Rs 15.90 lakh.