

## Chapter –IV

### AUDIT OF TRANSACTIONS

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

#### 4.1 Fraud/misappropriation/embezzlement/losses detected in audit

**Education Department, Industrial Training and Vocational Education Department and Irrigation Department (Command Area Development Authority)**

##### 4.1.1 *Loss due to suspected embezzlement*

**Failure of the Drawing and Disbursing Officers in observing norms as prescribed in Financial Rules, lack of proper checks, etc. facilitated the suspected mis-appropriation of Rs 5.90 lakh.**

Punjab Financial Rules (PFR) as applicable to Haryana, *inter-alia*, require the Drawing and Disbursing Officer (DDO) to satisfy himself that every payment voucher should bear or have attached to it an acknowledgement of payment and all monetary transactions should be entered in the cash-book as soon as they occur and should be attested by the DDO. Further, cash-book should be completely checked and closed regularly. A consolidated receipt of all remittances made during the previous month should be obtained from the treasury by the 15 of every month and compared with the entries in the cash-book.

#### **Education Department**

To ensure education amongst the students of Scheduled Castes and other Economically Weaker Sections of the society, the State Government formulated various schemes and released incentive money to the respective Block Education Officers (BEOs) for distribution to incharges of the primary schools (Centre Incharge) under their charge for onward disbursement to the eligible students.

Scrutiny of records between June 2006 and February 2008 of five BEOs relating to disbursement of incentive money revealed that the incentive money returned by the Centre Incharges to the BEOs was not taken in the cash-book and thus, there was suspected mis-appropriation of Government money of Rs 4.55 lakh as per details given in *Appendix XXXIII*. Thus, non-

adherence to Financial Rules as discussed above and non-exercising of proper checks by the DDOs facilitated mis-appropriation of Rs 4.55 lakh.

On being pointed out in audit, four BEOs<sup>1</sup> deposited (August 2007-March 2008) the entire/part mis-appropriated amount aggregating Rs 3.67 lakh and supplied copies of treasury challans in support of the amounts deposited in treasury and an amount of Rs 0.16 lakh shown as deposited into treasury on 31 March 2007 was disbursed after being pointed in audit (July 2007). Further, appropriate action to be taken against the officers/officials at fault and recovery of balance mis-appropriated money was awaited.

#### **Industrial Training and Vocational Education Department**

Scrutiny of the records (July 2007) of the Principal, Industrial Training Institute, Faridabad revealed that Rs 55,000 was drawn from Central Co-operative Bank, Faridabad vide cheque number 365986 dated 24 February 2007 from account number 353 (relating to Scholarship account of students) by making a forged signature of the ex-Principal on the cheque. The amount so drawn was not taken in the cash-book. The Principal intimated (July 2007) that his predecessor had retired in November 2006 and his specimen signatures were yet to be sent to the bank as the said bank account was not being operated regularly. Thus, Rs. 55,000 was mis-appropriated.

On being pointed out (20 July 2007) in audit, the Director, Industrial Training and Vocational Education Department intimated (November 2007) that Rs 55,000 had been deposited in the said account number of the bank on 24 July 2007 and supplied a copy of bank receipt in support of the amount deposited in the bank. He further stated that Principal of the institute had been directed to investigate the matter and register a First Information Report (FIR) with the police. Final outcome was awaited (May 2008).

#### **Irrigation Department (Command Area Development Authority)**

Scrutiny of records (October 2007) of Administrator, Command Area Development Authority (CADA) revealed that Rs 80,000 were embezzled by the cashier during July 2005. Against the supporting payment voucher of Rs 810, an amount of Rs 40,810 was shown as paid on 19 July 2005 on account of telephone and office expenses. An amount of Rs 40,000 was further misappropriated by showing the total of cash-book on 19 July 2005 as Rs 1,08,746 instead of Rs 68,746.

On being pointed out (10 October 2007) in audit, the Chief Accounts Officer, CADA intimated (October 2007) that the amount had been recovered from the defaulting official through pay order dated 17 October 2007. The

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<sup>1</sup> BEO, Fatehabad: Rs 2,71,325; BEO, Bawal: Rs 47,780; BEO, Assandh: Rs 33,150 and BEO, Ratia: Rs 14,830.

Administrator, CADA intimated (March 2008) that the official had been suspended (December 2007) and charge sheeted on 25 January 2008. Further developments were awaited (May 2008).

Thus, there was total mis-appropriation of Rs 5.90 lakh out of which Rs 5.02 lakh had been deposited by the defaulters and an amount of Rs 0.16 lakh was disbursed after being pointed in audit. Action taken against the officers/officials at fault and further recovery of balance mis-appropriated amount of Rs 0.72 lakh was awaited.

The misappropriation of Rs 5.90 lakh was facilitated due to:

- Non-checking and non-attesting of entries in cash-book by the DDOs.
- Non-checking of totals of cash-book by the DDO.
- Failure of the DDO to obtain treasury receipts in respect of amount deposited into treasury and its comparison with entries in cash-book.
- Failure of the DDO to keep the cheque book in his personal custody.

All the above points were demi-officially reported to the Financial Commissioner and Principal Secretaries to Government of Haryana of the Departments concerned in April 2008; reply had not been received (August 2008).

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

**4.1.2 Loss due to non-removal of encroachment and non-completion of developmental works**

**Due to allotment of site without ensuring that the land was free from encroachment and offering the possession of sites without providing the basic amenities and development of area, Haryana Urban Development Authority had to suffer a loss of Rs 52.40 lakh on account of interest.**

Clause 13 of Haryana Urban Development (Disposal of land and building) Regulations, 1978 provides that the possession of the land should be delivered to the transferee or lessee as soon as development works in the area where the land is situated are completed. The standard terms and conditions of allotment letter of commercial site contain the clause that the development work in the area has been completed and possession of plot would be offered immediately after deposit of 15 per cent of cost of plot.

Scrutiny of records (November 2006 and January 2008) of two Estate officers<sup>2</sup>, Haryana Urban Development Authority (EO, HUDA) revealed that HUDA allotted 4 sites without ensuring that these were free from encroachment and were fully developed. As a result, HUDA had to pay Rs 52.40 lakh as interest compensation.

**(a) Estate officer, HUDA, Panchkula**

i) The EO, HUDA allotted (April 2001) a shop-cum-office (SCO), a commercial site in Sector 20 Panchkula on free hold basis through auction at a cost of Rs 54.10 lakh. Scrutiny of records (October 2007) of EO revealed that the allottee of the SCO paid 10 *per cent* of the cost amounting to Rs 5.41 lakh in February 2001 at the fall of hammer in auction and 15 *per cent* cost amounting to Rs 8.12 lakh in May 2001 after receipt of allotment letter. The allottee made the balance payment of Rs 40.57 lakh in eight half yearly instalments at Rs 5.07 lakh during the period from October 2001 to October 2004 under protest on the plea that development works on the site were incomplete and *jhuggies* in front of SCO had not been removed.

Simultaneously, the allottee filed (January 2002) a complaint in the District Consumer Disputes Redressal Forum (DCDRF) alleging that the possession of the plot was not handed over and development work was not done as *jhuggies* in front of the SCO existed. The allottee requested for compensation as it could not start its business. The DCDRF decided (April 2003) the case in favour of the allottee and awarded interest compensation at the rate of 18 *per cent* per annum on the deposited amount from the date of deposit till development was completed and encroachment/*jhuggies* in front of SCO were removed. HUDA was also directed not to charge penal interest from the allottee. HUDA filed (June 2003) an appeal in the State Consumer Disputes Redressal Forum (SCDRF) against the decision of the DCDRF. The SCDRF dismissed (May 2006) the appeal on the plea that requisite fee as required under section 15 of the Consumer Protection Act, 1986 was not deposited by HUDA at the time of filing the appeal. As a result of this, HUDA had to pay (June 2007) Rs 27.73 lakh as interest compensation for the period from October 2001 to March 2007.

The Financial Commissioner and Principal Secretary to Government of Haryana, Town and Country Planning Department while admitting the facts stated (July 2008) that the physical possession of the site could not be given due to the existence of *Jhuggie* dwellers at the site. The *jhuggies* would be replaced by providing them dwelling units under rehabilitation scheme which was under process as per approval of Government. Reply was not acceptable as the department should have ensured that the land was free from encroachers before allotment.

ii) Similarly, a shop-cum-office (SCO) was allotted (May 2000) in Sector 20, Panchkula on free hold basis through auction at a cost of Rs 63.70 lakh. Scrutiny

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<sup>2</sup> Faridabad and Panchkula.

of records (November 2006) of EO revealed that the allottee of the SCO paid 10 *per cent* of the cost amounting to Rs 6.37 lakh in March 2000 at the fall of hammer in auction and 15 *per cent* cost amounting to Rs 9.55 lakh in June 2000 after receipt of allotment letter. The balance 75 *per cent* was to be deposited in eight half yearly instalments with 15 *per cent* interest per annum. The allottee deposited Rs 34.56 lakh between December 2000 and July 2004. The balance amount of Rs 13.22 lakh was not paid on the plea that development works on the site were incomplete.

The allottee filed (January 2002) a complaint in DCDRF alleging that there were no basic infrastructural facilities i.e. road, water supply, street light, drainage, sewerage, etc. and only paper possession of the site was handed over to them. The DCDRF decided (May 2003) the case in favour of the allottee and awarded interest compensation at the rate of 12 *per cent* per annum on the deposited amount from the date of deposit till the development was completed. HUDA was also directed not to charge any interest whatsoever till development work was completed. HUDA filed an appeal in the SCDRC against the decision of the DCDRF but the same was dismissed (October 2004). A revision petition filed by HUDA in National Consumer Disputes Redressal Commission (NCDRC) was dismissed (April 2005). The revision petition filed against the above decision in the Supreme Court of India was also dismissed (March 2006).

In the meantime, HUDA paid (September 2005) Rs 20.17 lakh as interest compensation for the period from March 2000 to August 2005.

**(b) Estate officer, HUDA Faridabad**

Audit scrutiny (January 2008) of the records of EO, HUDA revealed that the EO allotted (August 1992) two residential plots in Sector 21-C-III and Sector 48 for Rs 3.44 lakh and Rs 1.39 lakh respectively but failed to give their physical possession due to non-completion of development works. The allottees approached DCDRF which awarded (April/ May 2002) an interest compensation at the rate of 12 *per cent* per annum on the amount deposited from the date of deposit till realisation. Appeals filed by HUDA in the SCDRC/NCDRC against the decision were dismissed between June 2004 and February 2005. HUDA paid interest of Rs 2.47 lakh in July 2005 and Rs 2.03 lakh in June 2006 to the allottees for the period from 20 January 1992 to 22 March 2001 and 15 September 1992 to 5 June 2006 respectively.

These points were demi-officially reported to the Financial Commissioner and Principal Secretary to Government of Haryana, Town and Country Planning Department in April/May 2008; reply to sub-para (a) (ii) and (b) had not been received (August 2008).

**Public Works Department (Buildings and Roads Branch)**

**4.1.3 Loss due to non-recovery of mobilisation advance**

**Release of payment to the contractor without checking validity of bank guarantees by the Public Works Department (Buildings and Roads Branch) resulted in non-recovery of mobilisation advance and a loss of Rs 35 lakh.**

Under Secretary Government of India, Ministry of Shipping, Road Transport and Highways administratively approved (June 2005) the work, "Improvement by widening and strengthening of Badli-Iqbalpur Road Km 17.900 to 27.860" for Rs 6.50 crore under Central Road Fund. The work was allotted to a contractor (December 2005) at a cost of Rs 6.99 crore with a completion time limit of four months. As per agreement executed with the contractor, mobilisation advance upto 10 *per cent* of the contract price was to be given to the contractor on submission of un-conditional bank guarantee which was to be recovered as soon as 20 *per cent* payment of the contract price was made to him or six months from the date of payment, whichever period concluded earlier.

Scrutiny of records (February 2008) of the Executive Engineer, Provincial Division, Jhajjar (EE) revealed that mobilisation advance amounting to Rs 35 lakh was paid to the contractor in February 2006 against three Bank Guarantees for Rs 36 lakh with validity period of four months (valid upto 5 May 2006) given by him. The contractor completed only 5 km of the widening work upto May 2006 and did not execute further work because of hindrance of trees, which were not cut down by the Department and delay in design of flexible pavement of road which was finalised by the Department only in November 2006. Due to this time gap of four months, the contractor did not resume the work after execution of work for Rs 52.82 lakh on the ground that the prices of material had increased sharply. Payment of Rs 47.32 lakh was made to him in June 2006. In the meantime, the bank guarantees furnished by the contractor had expired in May 2006 and no efforts were made by the Department to get these extended well in time. The contract was terminated in April 2007. Against the prescribed completion period of four months, the clause for recovery of mobilisation advance within six months inserted in the agreement was defective. Moreover, payment of Rs 47.32 lakh in June 2006 was released to the contractor after the expiry of the bank guarantees and the Department did not withhold this payment till their revalidation. Even earnest money of Rs 14.20 lakh was also refunded to the contractor after allotment of work.

On being pointed out in audit (April 2008), the EE stated (August 2008) that the contention that delayed finalisation of design of flexible pavement was a reason for the contractor abandoning the work was not correct, as the design of flexible pavement was already finalised and available in the estimate of work. The reply was not acceptable as the design of flexible pavement was approved by the National Institute of Technology, Kurukshetra in November 2006.

Thus, due to department's failure in making the loss good by withholding of payment of Rs 47.32 and earnest money of Rs 14.20 lakh, the Department suffered a loss of Rs 35 lakh.

The matter was demi-officially referred to the Financial Commissioner and Principal Secretary to Government of Haryana, Public Works Department (Buildings and Roads Branch) in May 2008; reply had not been received (August 2008).

## **4.2 Excess payment/wasteful/infructuous expenditure**

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

#### **4.2.1 Excess payment of bonus/performance award**

##### **Grant of bonus in excess of statutory rate by Haryana Urban Development Authority, resulted in excess payment of Rs 3.64 crore.**

The State Government issued (November 2002) instructions authorising Board of Directors of the concerned Public Enterprises to sanction payment of bonus, wherever applicable, at the statutory rate of 8.33 *per cent*. However, if the bonus was proposed to be paid above the statutory rate, the concerned Public Enterprise was required to send the case through Administrative Department for prior approval of Finance Department.

Scrutiny of records (November 2007) of Chief Administrator (CA), Haryana Urban Development Authority (HUDA) and subsequent information collected revealed that HUDA decided (March 2007) to grant bonus/performance award to the employees at the rate of 15 *per cent* of their annual salary for the year 2005-06 without obtaining the required approval of the Finance Department (FD). Accordingly, payment of Rs 8.18 crore for the year 2005-06 was made during the year 2006-08 at the rate of 15 *per cent* instead of the statutory rate of 8.33 *per cent*, which resulted in excess payment of bonus of Rs 3.64 crore.

The CA, HUDA stated (April 2008) that the matter referred to Finance Department, Haryana Bureau of Public Enterprises (HBPE) in February 2007 is still pending.

Thus, the grant of bonus in excess of statutory rate without prior approval of the Finance Department by HUDA, resulted in an excess payment of Rs 3.64 crore.

The matter was demi-officially reported to the Financial Commissioner and Principal Secretary to Government of Haryana, Town and Country Planning Department (May 2008); reply had not been received (August 2008).

**Rural Development Department (District Rural Development Agencies)**

**4.2.2 Wasteful expenditure on Below Poverty Line census**

**Omissions in conducting the Below Poverty Line survey in the year 2004, forced the State Government to scrap the survey, which resulted in wasteful expenditure of Rs 86.45 lakh.**

Government of India (GOI), Ministry of Rural Development directed (September 2002) the State Government to identify families who were living Below the Poverty Line (BPL) for the Tenth Five Year Plan 2002-07 and who could be assisted under various anti-poverty programmes. The GOI issued guidelines and released (January-March 2003) funds of Rs 1.80 crore for conducting BPL census 2002.

Scrutiny of records (February-December 2007) of six<sup>3</sup> District Rural Development Agencies (DRDAs) and subsequent information collected from Director, Rural Development Department revealed that a door to door survey was conducted by staff of various Government Departments during the year 2003-04 for identification of BPL families. However, the publishing of BPL data was held up as per directions (May 2005) received from GOI due to stay orders issued (5 May 2003) by the Supreme Court. In order to address the complaints received regarding non-inclusion of eligible families in BPL list, the State Government directed (August 2005) all the Deputy Commissioners (DCs) in the State to ensure that no family is left out from the purview of BPL survey. The GOI, consequent on vacation the stay by the Apex Court vide orders dated 14 February 2006, directed the State Government to finalise the BPL lists as per original guidelines. The State Government directed (April 2006) all the DCs to display the collected BPL data in all the *Gram Panchayats* for correction and updation of the data based on the objections received from all *Gram Panchayats*. An expenditure of Rs 86.45 lakh was incurred on the BPL survey during the years 2003-04 to 2006-07.

However, in view of innumerable complaints received from almost all the districts that many eligible families had been left out and large number of ineligible families found place in the BPL lists, the State Government decided (14 February 2007) to scrap the BPL survey conducted during the year 2004 and issued instructions (19 February 2007) for conducting a fresh rural house hold survey through Haryana Ex-Servicemen League. Expenditure of Rs 2.45 crore had been incurred upto August 2008 on conducting the fresh BPL survey, the data of which was yet to be finalised.

Director and Special Secretary, Rural Development Department stated (April 2008) that the scrapping of the earlier survey conducted by the DRDAs through the Government functionaries was not a wasteful expenditure as there were some omissions noticed in the survey and to ensure that the benefits of

<sup>3</sup> DRDA Fatehabad, Gurgaon, Hisar, Jind, Kurukshetra and Rohtak.

various rural development schemes reached the target groups, the State Government decided to conduct the fresh survey in public interest. The reply was an admission of the fact that a fresh survey had to be ordered due to Government's failure in conducting the survey of BPL families accurately and finalising the list of BPL families without any omission. Even the second chance given by the GOI/Supreme Court could not help in finalising an accurate list of BPL families. A proper mechanism to verify the correctness of survey data was not evolved by the department. Action to fix responsibility on the Officers/Officials who were responsible for the inaccurate first survey had not been taken by the Government.

Thus, omissions noticed in conducting the BPL survey in the year 2004 forced the State Government to scrap the survey and resulted in wasteful expenditure of Rs 86.45 lakh. The State Government could not finalise the BPL data although the Tenth Five Year Plan had expired, resulting in denial of benefits to the deserving families who were entitled for inclusion in the BPL lists as per guidelines.

The matter was demi-officially 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).

#### **Public Works Department (Irrigation Branch)**

##### **4.2.3      *Extra expenditure due to defective tendering***

**Had the Department inserted the clause regarding revision of L-Section on the advice of IIT, Roorkee, dispute of excess quantities would not have arisen and extra expenditure of Rs 42.50 lakh due to allotment of work at higher rates on re-tendering could have been avoided.**

Financial Commissioner and Principal Secretary to Government Haryana, Irrigation Department sanctioned (July 2005) a project for Rs 259 crore for construction of Bhakra Main Line - Hansi - Butana Branch multipurpose link channel (the channel) to provide equal distribution of available canal water for irrigation in the entire State particularly in South-West area which was suffering due to shortage of water in Rabi crop period. The Chief Engineer, Bhakra Water Services, sanctioned (October 2005) the estimates for constructing the channel from RD 332452 to RD 340162 and RD 349912 to RD 357612 for Rs 2.54 crore and Rs 2.63 crore respectively. After finalisation and approval of L-Section and estimates for construction of channel, Indian Institute of Technology (IIT), Roorkee was requested (November 2005) to scrutinise the design of various proposed structures and examine the adequacy of channel to carry the design discharge of 2086 cusecs. Without waiting for the expert advice of IIT Roorkee, tenders were invited in December 2005. The IIT, Roorkee suggested (January 2006) a revision in the L-Section and accordingly, the Department revised (March 2006) the L-Section. The Chief Engineer (Co-ordination) Irrigation Department, Haryana approved (March 2006) to allot the works to

Shri Om Parkash Contractor and M/S Universal Construction Company for Rs 3.22 crore and Rs 3.28 crore respectively. The Executive Engineer, Construction Division 26, Panipat (XEN) issued letters of acceptance to both the contractors in March and April 2006. Both the contractors refused (March-April 2006) to execute the work on the ground that due to revision of L-Section after submission of tenders by them, the scope of work had been enhanced and requested to release their earnest money.

During the course of Central Audit (December 2006) and scrutiny of records (October 2007) of the XEN, it was noticed that the decision of the Department to call the tenders in anticipation of finalisation of L-Section without waiting for the expert advice of IIT, Roorkee was injudicious and resulted in a dispute. Consequently, contractors refused to execute the work. As both the contractors had refused to execute the work, tenders for both the works were re-invited in May and June 2006 and works were allotted in August and September 2006 for Rs 4.14 crore and Rs 3.64 crore respectively. The works were completed in December 2007 and September 2007 after incurring expenditure of Rs 3.76 crore and Rs 3.84 crore respectively.

Thus, the change of L-Section of the work increased the scope of work as a result of which the agencies refused to execute the work at the rates approved (March 2006) by the Chief Engineer. On re-tendering, the works were allotted at much higher rates, which resulted in extra expenditure of Rs 52.79 lakh as per details given below:

(Amount in Rupees)							
Sr. No.	Name of work	Item of work	Quantity executed (In sqm)	Rates paid	Rates as per tender dated January 2006	Difference in rates	Extra payment
1	RD 332452 to 340162	S/L B/L in side slopes	57,794.87	231.50	194	37.50	21,67,308
2	RD 332452 to 340162	S/L B/L in side slopes in bed	6,090.70	204	174	30	1,82,721
3	RD 349212 to 357612	S/L B/L in side slopes	58,383.34	240	195	45	26,27,250
4	RD 349212 to 357612	S/L B/L in side slopes in bed	6,149.76	225	176	49	3,01,338
<b>Total</b>							<b>52,78,617</b>

However, after adjustment of forfeiture of security of Rs 10.29 lakh of previous contractors, the extra expenditure incurred was Rs 42.50 lakh.

On being pointed out (October 2007) in audit, the Engineer-in-Chief (EIC), Public Works Department (Irrigation Branch) stated (April 2008) that under clause 32 of the bid document, the contractor was bound to execute the additional quantities on already approved rates after approval by the competent sanctioning authority. Therefore, backing out by the lowest tendering agencies was not on account of revision of L-Section but was to avoid losses on account of lower tender rates as compared to rates of adjoining reaches. The reply was not acceptable because clause 32 of bid document stipulated the rates at which exceeded quantities of work were to be executed after start of work and did not require the contractor to execute the additional quantities. The agencies did not refuse to execute the work because of lower rates but due to revision of L-Section after submission of tenders

by them. The dispute arose due to the injudicious decision of the Department of not inserting the clause regarding revision of L-Section on the advice of IIT, Roorkee in the tender notice.

Had the Department inserted the clause regarding revision of L-Section on the advice of IIT, Roorkee, dispute of excess quantities would not have arisen and extra expenditure of Rs 42.50 lakh due to allotment of work at higher rates on re-tendering could have been avoided.

The matter was demi-officially referred to the Financial Commissioner and Principal Secretary to Government of Haryana, Public Works Department, Irrigation Branch in May 2008; reply had not been received (August 2008).

### **Transport Department**

#### **4.2.4 Extra financial burden on State exchequer**

**Non-disclosure of the fact regarding pendency of the court case in respect of enhancement of cost of land compensation while transferring the land to Uttar Haryana Bijli Vitran Nigam Limited (the transferee company), resulted in an extra financial burden of Rs 23.04 lakh on the Transport Department.**

The Transport Department acquired (May 1981) 16 *kanal* land at Kurukshetra at a cost of Rs 0.78 lakh to set up a bus stand. The land owner filed a case for enhanced land compensation in 1986 in the court of Additional District Judge, Kurukshetra (ADJ). Not satisfied with the decision (August 1986) of ADJ, the land owner filed revision appeal in 1986 in Punjab and Haryana High Court (the court) for further enhancement of land compensation. While the case was pending in the court, Government of Haryana on the request (April 2003) of Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) approved (April 2004) the transfer of the land on its initial cost for setting up of a 33 KW sub-station. The title of the land was transferred (August 2004) to UHBVNL on receipt of a demand draft of Rs 0.78 lakh (the initial cost of the land).

Scrutiny of records (May 2007) of Haryana Roadways, Kurukshetra revealed that the court announced (March 2004) enhancement of land compensation to the land owner. General Manager, Haryana Roadways, Kurukshetra (GM) asked (May 2005) UHBVNL for the payment of enhanced land compensation to the land owner which was refused (August 2005) on the plea that the Transport Department had not provided any information regarding pendency of litigation for enhanced land compensation at the time of depositing the initial cost of land and also at the time of transfer of land, though the court case was decided in favour of the land owner in March 2004, much before the transfer of land. On the execution petition filed by the land owner, the ADJ decided (September 2005) that the Transport Department was liable to make the payment. Accordingly, the

Transport Department paid Rs 23.04 lakh (between January 2006 and May 2007) to the land owner on account of enhanced land compensation and interest.

Thus, non-disclosure of the fact regarding pendency of the court case in respect of enhancement of cost of land compensation while transferring the land to UHBVNL, resulted in an extra financial burden of Rs 23.04 lakh on the Transport Department.

Transport Commissioner, Haryana stated (May 2008) that department was not aware about the court case relating to this land. The reply was not acceptable as the matter regarding filing of appeal by the land owner in the court was brought to notice of GM, Kaithal on 5 February 1987 by the Land Acquisition Collector, Thanesar and thus the Transport Department had full knowledge about the pending court case. Besides, while transferring the land (April 2004) to UHBVNL a clause to the effect that liabilities, if any, arising in future relating to the land would be borne by UHBVNL, should have been incorporated in the transfer deed.

The matter was demi-officially referred to the Financial Commissioner and Principal Secretary to Government of Haryana, Transport Department in February 2008; reply had not been received (August 2008).

#### **Public Works Department (Buildings and Roads Branch)**

##### **4.2.5 Wasteful expenditure due to wrong selection of site**

**Starting construction on a site, which had not been approved by the building committee of Punjab and Haryana High Court, resulted in wasteful expenditure of Rs 21.08 lakh.**

Public Works Department Code (Code) provides that the selection of site of every building should, if possible, be approved before the detailed designs and estimate are prepared.

Financial Commissioner and Principal Secretary to Government of Haryana, Revenue Department accorded administrative approval (August 2004) for Rs 3.94 crore for the work 'construction of Mini-Secretariat, Sub-Divisional Office (Civil) Tehsil Complex (complex)' at Hansi. Construction of building was proposed by Public Works Department on Government land of about eight *acre* on Hansi-Umra Road to avoid expenditure on acquisition of private land. Though the site was required to be approved from the building committee of Punjab and Haryana High Court (the Committee) before awarding the work, the department allotted the work to the contractor in October 2005 with completion period of 24 months at a cost of Rs 2.28 crore. The work was started in October 2005 and an expenditure of Rs 21.08 lakh had been incurred upto February 2006 on inauguration, advertisement, approval of structural drawings and designs,

earthwork and construction of boundary wall, though payments were made upto November 2006.

Scrutiny of records (June 2007) of the Executive Engineer, Provincial Division, Public Works Department (Buildings and Roads Branch), Hansi revealed that the Committee visited the site of complex in February 2006 and rejected the site of the Mini-Secretariat as being unsuitable. The Committee selected (April 2006) another site adjacent to Hisar-Delhi and Hansi-Jind road, owned by Haryana Urban Development Authority and foundation stone was laid (March 2008) by the Chief Justice, Punjab and Haryana High Court. The work on the old site was stopped after the selection of site was disapproved (February 2006) by the Committee. Starting the work on a site selected without the consent of the Committee resulted in wasteful expenditure of Rs 21.08 lakh.

Engineer-in-Chief, Haryana, Public Works Department (Buildings and Roads Branch) stated (February 2008) that work was started after being administratively approved, allotment of funds made and lay out plan of the building was approved by the client department. Reply was not acceptable because the fact remained that the site (Hansi-Umra Road) was not got approved by the Committee before preparation of designs and estimate as laid down in the code *ibid*.

Financial Commissioner and Principal Secretary to Government of Haryana, Public Works Department (Buildings and Roads Branch) while confirming the facts stated (August 2008) that expenditure incurred on boundary wall was keeping the land intact. Reply was not tenable because funds provided by the client department were not meant for protection of land.

Thus, starting construction on a site, which had not been approved by the Committee, resulted in wasteful expenditure of Rs 21.08 lakh. Had the site been settled before preparation of detailed design and estimate as laid down in the Code, the wasteful expenditure incurred could have been avoided.

#### **Public Works Department (Water Supply and Sanitation Branch)**

##### **4.2.6 *Infructuous expenditure on construction of incomplete drain***

#### **Non-availability of land rendered an expenditure of Rs 15.98 lakh incurred on construction of part of drain infructuous.**

To dispose off storm water and sullage discharge, State Government administratively approved (June 2005) a scheme for the construction of drain from Friends Colony in Kaithal city to Geong drain at an estimated cost of Rs 36 lakh. The work was allotted (September 2005) to the contractor at a cost of Rs 32.58 lakh with the completion period of six months. The work was commenced on 8 September 2005 and an expenditure of Rs 15.98 lakh had been incurred on this work upto February 2008.

Scrutiny of records (October 2006) of the Executive Engineer, Water Supply and Sanitation Division, Kaithal revealed that the work was started (September 2005)

without ensuring the availability of land from the Haryana Urban Development Authority (HUDA) as part of the land through which the drain was to pass, had already been acquired by HUDA in July 2005. The required permission for construction of drain was sought from HUDA in January 2006. HUDA refused (June 2006) to make the land available as the Master Plan of the Sector-18, through which the proposed drain was to pass, had not been approved by the Chief Administrator, HUDA and Town and Country Planning Department. Consequently, the work was stopped and had been lying abandoned for the last 24 months. The Master Plan of Sector-18 was approved in December 2006 but no provision for the said drain was made therein. Resultantly, the expenditure of Rs 15.98 lakh incurred on part of drain was rendered infructuous as the proposed drain could not be linked with Geong drain.

On being pointed in audit (October 2006), the Engineer-in-Chief, Haryana Public Works Department, Water Supply and Sanitation Branch stated (August 2008) that provision for construction of drain was covered in two parts. In Part-I, main drain having total length of 1800 rft was got constructed which passed through Subhash Nagar. This drain had now been connected to Geong drain and was functioning. In Part-II, drain was to pass from Friends Colony which could not be got constructed as the major portion of the alignment of this drain was to pass through Sector-18 of HUDA. The reply of the Department was not acceptable because there was no mention of construction of the drain in two parts in the estimate. Moreover, as per estimate, 5150 rft drain was to be constructed from Friends Colony to Geong drain in order to drain out rainy water of catchment area of Mini-Secretariat complex, Amargarh Gamri, Jullandhari Mohalla and Subash Nagar but only 1800 rft drain had been constructed covering Subash Nagar only. It is also not understood as to how the drain was connected with the Geong drain without incurring any further expenditure.

Thus, starting the work of construction of drain without ensuring the availability of land from HUDA, rendered an expenditure of Rs 15.98 lakh incurred on construction of part of a drain infructuous in the absence of any provision of drain in approved Master Plan of Sector-18.

The matter was demi-officially referred to the Financial Commissioner and Principal Secretary to Government of Haryana, Water Supply and Sanitation Branch in April 2008; reply had not been received (August 2008).

#### **Public Works Department (Irrigation Branch)**

##### **4.2.7 *Extra expenditure due to allotment of work without proper survey***

**Defective framing of specifications/scope of work and injudicious decision of terminating the contract, resulted in extra expenditure of Rs 1.53 crore on account of payment of interest and litigation charges, etc.**

Public Works Department (PWD) Code provides that a work should consist of a specification, a detailed statement of measurements, quantities and rates and a report stating in clear terms the object to be gained by the execution of work

estimated for and explain any peculiarities which require elucidation. Preliminary operations including the survey of soil should be completed before submission of a project. The Chief Engineer, Irrigation Branch sanctioned (February 1995) an estimate for Rs 64.78 lakh revised to Rs 1.46 crore (November 1995) for clearance of silt and to enhance the capacity of Western Jamuna Canal Main Branch from RD 1,26,430 to 1,52,715. The work was allotted (27 November 1995) to a contractor with the condition to complete it within four months.

Scrutiny of records (July 2006) of Executive Engineer, Construction Division-17, Karnal (EE) revealed that proper survey to identify the items of work to be got executed was not conducted before finalising the estimate. Instead of clearance of slush and *daldal*, the contractor was allotted the work of silt clearance in the agreement. The contractor could not complete the work on the scheduled date due to unfavourable and slushy conditions at site. The contractor executed only 2,35,667 cum work against an estimated 4,36,789 cum silt work by the scheduled date of completion. The EE terminated the contract on 29 March 1996 as the contractor could not complete the work on scheduled date and an amount of Rs 76.59 lakh was paid to the contractor in June 1996. Floating of tenders and allotment of work without identifying the specific items to be got executed resulted in the execution of defective agreement due to which work could not be completed within the validity period of agreement.

Aggrieved by the decision of the department, the contractor went into Arbitration on the plea that breach of contract by the department resulted in heavy losses to him because he was paid lower rates for removal of slush/*daldal* in place of removal of silt. The agreement was executed for Rs 1.42 crore but the payment was made for Rs 76.59 lakh. He had arranged labour, machinery and staff to complete the work to the order of agreement amount. Announcing the award in favour of the contractor, the Arbitrator directed (December 2002) the department to pay Rs 73.14 lakh on account of loss of profit, interest on capital investment and difference of rates of *daldal* and silt clearance, etc. alongwith interest at the rate of 12 *per cent* per annum upto the date of award. He further awarded interest at the rate of 15 *per cent* per annum from the date of award till actual payment. The department challenged (March 2003) the award in the Court of Additional District Judge, Karnal but the court dismissed the petition in March 2006. In compliance of Arbitrator's award, the department paid Rs 2.13 crore (Rs 2.01 crore in March 2007 and Rs 0.12 crore in August 2007) to the contractor.

On being pointed out in audit, the EE stated (December 2007) that while observing X-Sections during closure, it was found that usable sand was available in the bed of the canal and scope of work was likely to be reduced. Since the agency had failed to complete the work within stipulated period, the contract was terminated. Reply was not acceptable because the department should have taken care to identify the items of work to be executed and assessed the scope of work before floating the tenders and allotting the work to the contractor as laid down in PWD Code, which was not done.

Thus, due to defective framing of specifications and scope of work and injudicious decision of terminating the contract, the department incurred an extra

expenditure of Rs 1.53 crore<sup>#</sup> on account of payment of interest and litigation charges, etc.

The matter was demi-officially referred to the Financial Commissioner and Principal Secretary to Government of Haryana, Public Works Department, Irrigation Branch in April 2008; reply had not been received (August 2008).

## **Finance Department**

### **4.2.8 Overpayment of pensionery benefits**

**Failure of Treasury Officers/Banks in exercising proper checks as required under financial and treasury rules and orders resulted in overpayment of pensionery benefits amounting to Rs 15.27 lakh.**

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

Inspection of 21 District Treasuries including Sub-Treasuries conducted by Accountant General (Accounts and Entitlement), Haryana and 34 branches of nationalised banks conducted by Accountant General (Audit), Haryana during April 2007 to May 2008 revealed an overpayment of pensionery benefits of Rs 15.27 lakh to 166 pensioners/family pensioners in 15 Districts Treasuries including Sub-Treasuries and 11 branches of nationalised banks as discussed below:

- According to State Civil Service Rules, higher rate of family pension is payable from the date following the date of death of employee/pensioner for a period of seven years or till the date on which he would have attained the age of 65 years had he survived, whichever was earlier. Thereafter, normal rate of family pension is payable to them. However, 41 family pensioners were paid family pension at higher rate beyond the periods prescribed under the rules which resulted in overpayment of Rs 4.09 lakh to them.
- According to State Civil Service Rules, the amount of commutation is to be reduced from the amount of pension from the date of payment of the commuted value of the pension to the pensioners or three months after the issue of authority asking the pensioner to collect the commuted value of pension, whichever is earlier. Contrary to this, full pension was paid to 18 pensioners without reducing the amount of commutation after the payment

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<sup>#</sup> Interest on loss of profit: Rs 9,78,970 plus interest on capital investment: Rs 2,12,500 plus litigation charges: Rs 1,79,550 plus interest payment on award of Rs 73.14 lakh: Rs 1,39,37,569 = Rs 1, 53, 08,589.

of commuted value of pension, which resulted in overpayment of Rs 1.79 lakh.

- Overpayment amounting to Rs 8.87 lakh was made to 101 pensioners due to wrong calculation of the amount of pension.
- An overpayment of gratuity of Rs 0.50 lakh made in five cases was not recovered from the pensioners. Besides, medical allowance of Rs 0.02 lakh was paid to a pensioner who was employed on compassionate grounds. The medical allowance was, however, not admissible to such pensioners.

The matter was reported to Financial Commissioner and Principal Secretary to Government of Haryana, Finance Department in June 2008; reply had not been received (August 2008).

#### **Public Works Department (Irrigation Branch)**

##### **4.2.9 Extra/avoidable expenditure on land acquisition**

**Delay in announcement of awards resulted in extra expenditure of Rs 3.46 crore and lack of title of the land in revenue records resulted in avoidable expenditure of Rs 1.20 crore.**

Government issued a notification for acquiring 26.94 acre land for construction of Sultanpur link drain under Section 4 in May 1999. The Land Acquisition Collector (LAC), Bhiwani demanded (March 2000) a sum of Rs 1.05 crore for awarding land compensation. The amount was deposited (March 2001) by the Executive Engineer, Mewat Water Services Division, Nuh. Instead of making the full award, the LAC made a payment of Rs 22.67 lakh to the landowners who approached the court for land compensation, as a result of which the notification lapsed. Notifications under Section 4, 6 and 7 were issued de novo in July 2004 and January 2005 respectively. The Department deposited (September-November 2006) an additional amount of Rs 3.28 crore on account of land compensation. The LAC announced (December 2006) three awards for 17.54 acre land only and made payment of Rs 4.14 crore to land owners. Thus, delay in announcement of awards resulted in extra expenditure of Rs 3.46 crore. Meanwhile notifications under Sections 4, 6 and 7 had lapsed again and 9.40 acre land still remained to be acquired (May 2008).

Similarly, in Mewat Water Service Division, Nuh, the villagers of Mankrola offered their land free of cost for construction of Sultanpur Link drain provided the alignment of the drain was according to their proposal. The alignment of the drain was changed (November 1982) and the land was provided free of cost by the landowners through written undertakings. The Department constructed the drain but did not get the title of the land formally transferred in favour of Government. The land owners subsequently demanded land compensation and since, in the absence of a clear title, the department could not establish its title to the land, it had to pay a sum of Rs 1.20 crore (December 2006) towards land

compensation. Had the title of land been transferred in the revenue records, this expenditure could have been avoided. Thus, avoidable expenditure of Rs 1.20 crore was incurred.

The matter was demi-officially referred to the Financial Commissioner and Principal Secretary to Government of Haryana, Irrigation Department in June 2008; reply had not been received (August 2008).

**4.3 Violation of contractual obligations/undue favour to contractors/avoidable expenditure**

**Public Works Department (Buildings and Roads Branch)**

**4.3.1 Inadmissible payment of interest to the entrepreneur**

**Executive Engineer, Provincial Division-II, Public Works Department, Buildings and Roads Branch, Kurukshetra made inadmissible payment of Rs 1.31 crore to the entrepreneur in violation of provisions of the agreement.**

The work “Construction of Additional two lane Road Over Bridge (ROB) including its approaches, at level crossing Number 95-B on Delhi-Ambala Railway line at Kurukshetra” was allotted (August 2002) to an entrepreneur on Build, Operate and Transfer (BOT) basis vide concession agreement dated 12 September 2002. Besides other conditions, it was also mentioned in the agreement that approval of designs and drawings of bridge proper in Railway portion would be issued by the Railways and the entrepreneur would be personally responsible for arranging approval of the same from Railways and that the Railway’s decision regarding approval of designs/drawings would not be a matter of dispute.

The cost of the project was Rs 13.86 crore and the work was to be completed within 15 months from 10 January 2003. The Government authorised the entrepreneur to collect and retain the cost of project during the concession period of 7 years 10 months and 16 days including construction period of 15 months, which was to expire on 25 November 2010. The work was started on 11 January 2003 and completed on 10 March 2007.

Scrutiny of records (July 2007) of the Executive Engineer, Provincial Division-II, Public Works Department, Buildings and Roads Branch, Kurukshetra revealed that in view of resentment of general public against toll collection, the Government decided (May 2007) to make ROB toll free in public interest. The Steering Group while exercising the powers under clause 3.12 of the concession agreement decided (February 2007) to take over the ROB and to pay a sum of Rs 15.17 crore to the entrepreneur on account of buy back of the project. Accordingly, an agreement to buy back the ROB was executed with the entrepreneur on 10 May 2007 and a sum of Rs 14.16 crore was paid (May 2007) after deducting sales tax, income tax, etc. This payment included Rs 1.31 crore

on account of interest at the rate of nine *per cent* for 15 months, the period for which finalisation of drawings was delayed whereas, as per agreement, the entrepreneur was personally responsible for arranging the approval of drawings of bridge over Railway portion.

On being pointed out, Engineer-in-Chief, Public Works Department, Buildings and Roads Branch (EIC) stated (February 2008) that bridge over Railway portion was to be constructed by the agency as per directions of Railway authorities. The work was delayed due to non-receipt of permission on account of technical problems and as such the agency could not be held responsible. The Financial Commissioner and Principal Secretary to Government Haryana, Public Works Department, Buildings and Roads Branch in his reply (June 2008) reiterated the reply given by the EIC. The reply was not acceptable because as per agreement, the entrepreneur was personally responsible for arranging the approval of drawings and it was irregular on the part of the Department to bear the burden for delay in getting the drawings approved from Railways. Moreover, in a Public Private Partnership (PPP) project of this nature, there is an equitable distribution of risks and the construction risks are allocated to the concessionaire. Even in the normal course, the delay caused in the approval of the drawings would have been on concessionaire's account as it would have eaten into the concession period since the agreement provided for a fixed concession period including the construction time. Hence, the payment of interest to the concessionaire for the period of delay in the finalization of drawings, which was his responsibility according to the allocation of risks in a PPP project and which in this case was formalized by the insertion of a specific clause in the agreement to that effect, was irregular.

Thus, the Department made inadmissible payment of Rs 1.31 crore to the entrepreneur in violation of provisions of the agreement.

#### **Home Department**

#### **4.3.2 *Inadmissible payment to dependents of deceased Government employees***

**Police department made inadmissible payment of Rs 96.55 lakh as compassionate assistance to the ineligible dependents of deceased Government employees with a view to assist the family of deceased Government employee.**

With a view to assist the family of deceased Government employee, Haryana Compassionate Assistance to the Dependents of Deceased Government Employees Rules, 2006 (Rules) were made applicable from 01 August 2006. The Rules provided that on the death of any Government employee, the family of the deceased employee would continue to receive a sum equal to the pay and other allowances that was last drawn by the deceased employee as financial assistance for a period of 15 years/12 years/7 years depending upon the age of the employee

at the time of death. The Rules *ibid* do not extend such benefit to the case where the PPO/FPO was issued before 1 August 2006. The calculation of the period and payment was to be made to such cases from the date of notification of these rules. The Chief Secretary to Government of Haryana also clarified on 8 June 2007 that cases where death happened prior to 1 August 2006 and where Pension Payment Order/Gratuity Payment Order (PPO/GPO) had been issued, could not be covered under the new scheme.

Scrutiny of records (May 2007 and May 2008) and further information collected from 17<sup>4</sup> offices of Superintendents of Police (SP)/Commandant, Haryana Armed Police Battalions revealed that the dependents of deceased Government employees were paid as monthly financial assistance, the pay and other allowances last drawn by the deceased employees though their PPOs/GPOs were issued prior to 1 August 2006. This resulted in an inadmissible payment of Rs 96.55 lakh in 61 cases between August 2006 and March 2008 as detailed in **Appendix XXXIV**.

On being pointed out in audit, the Director General of Police, Haryana stated (March 2008) that the payments had been made in accordance with the new Rules. The reply was not acceptable as the department gave the monthly financial assistance to the dependents of deceased Government employees whose PPOs/GPOs were issued prior to 01 August 2006 and thus were not eligible for monthly financial assistance as clarified by the Chief Secretary. However, SP, Bhiwani, Kurukshetra, Commandant 2<sup>nd</sup> Battalion (HAP) and Commandant 4<sup>th</sup> Battalion (HAP), Madhuban recovered the entire monthly assistance paid, amounting to Rs 7.03 lakh in seven cases between December 2007 and March 2008.

The matter was demi-officially referred to the Financial Commissioner and Principal Secretary to Government of Haryana, Home Department in February 2008; reply had not been received (August 2008).

### **Transport Department**

#### **4.3.3 Extra expenditure on purchase of retreading material**

**Non-placement of supply order to the lowest tenderer as per High Powered Purchase Committee's decision and failure of the department to invoke the risk/ cost clause against the defaulting supplier put extra burden of Rs 64.05 lakh on State exchequer.**

The Transport Commissioner (TC) invited tenders (September 2005) for purchase of 400 Metric Tonne (MT) precured tread rubber along with other retreading

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<sup>4</sup> Superintendents of Police, Ambala; Bhiwani; Fatehabad; Faridabad; Hisar; Jhajjar; Jind; Kaithal; Kurukshetra; Narnaul; Telecommunication, Panchkula; Rewari; Sirsa; Sonapat, Yamunanagar; Commandant 2<sup>nd</sup> Battalion, Madhuban and Commandant 4<sup>th</sup> Battalion, Madhuban.

material for retreading 4,000 tyres per month. According to terms and conditions of the tender document, the offered rates were applicable for one year. Successful bidder was to furnish bank guarantee/security equal to 10 *per cent* of the value of the order. In case of delay/non-supply, the material was to be purchased at the risk and cost of the defaulting firm and extra expenditure involved was to be recovered from pending payments/bank guarantee.

The Department received (October 2005) five valid tenders and retreading rate quoted by them ranged between Rs 943.06 and Rs 1,119.70 per tyre. Pending approval of tender from the High Powered Purchase Committee (HPPC), the Department placed (December 2005) a purchase order for 35 MT precured tread rubber along with other retreading material valuing Rs 34.48 lakh at retreading landed rate of Rs 943.06 per tyre with M/s Jagdamba Tyre Retreading Company, Dhanbad (lowest tenderer) and obtained a bank guarantee of Rs 3.50 lakh for a validity period of six months. The HPPC in its meeting held on 08 February 2006, after negotiations with firm, decided to purchase 400 MT precured tread rubber along with other retreading material valuing Rs 3.94 crore at retreading landed rate of Rs 943 per tyre from the lowest tenderer. The firm also agreed to supply 50 MT precured tread rubber along with other retreading material per month. The Department instead of placing order for the entire requirement of precured tread rubber along with other retreading material for one year indicating the quantity of material to be supplied per month, placed (February 2006) supply order for only 70 MT valuing Rs 68.97 lakh, which was the requirement of two months, after obtaining a bank guarantee of Rupees seven lakh.

The Dhanbad based firm supplied only 95 MT retreading material against the order of 105 MT. Due to non-receipt of material in adequate quantity from the firm, the Department purchased (March-April 2006) retreading material worth Rs 39.49 lakh in emergency from a Delhi based firm at retreading landed rate of Rs 1,103.83 per tyre and also invited (April 2006) fresh tenders. The HPPC ultimately finalised (August 2006) the annual contract at the retreading landed rate of Rs 1,231 per tyre. The Department had to incur an extra expenditure of Rs 89.63 lakh from March 2006 to January 2007 on purchase of 312.695 MT precured tread rubber along with other retreading material at higher rates. The Transport Commissioner did not invoke the risk and cost clause against the defaulting supplier as directed by the HPPC in its meeting held on 22 June 2006, for which reasons were not on record.

Scrutiny of records revealed (August 2007) that against an extra expenditure of Rs 89.63 lakh, the Department could make good the loss of Rs 25.58 lakh only (Rupees seven lakh on account of forfeiture of bank guarantee and Rs 18.58 lakh on account of balance payment of the firm against supplies received). The department also failed to forfeit the bank guarantee of Rs 3.50 lakh in time as the same expired in June 2006.

The Department in its reply (March 2008) stated that purchase of tyre retreading material was made from other firms for running of buses and to avoid extra losses due to non-availability of retreaded tyres. It was further stated

(5 September 2008) that legal notice for deposit of balance amount of risk purchase was being issued to the firm. The reply was not acceptable as due to non-placement of supply order for the entire quantity to the lowest tenderer and non-invoking of risk and cost clause against the defaulting supplier as per HPPC decisions, the department failed to make good the loss sustained. Further, the legal notice for recovery of balance amount under risk and cost clause purchase was yet to be issued to the defaulting supplier and had become invalid as the limitation period within which the risk purchase was to be effected had already elapsed and the chances of recovery, therefore, at this belated stage were very remote.

The incorrect procedure adopted for not placing the supply order for entire quantity to the lowest tenderer after obtaining due bank guarantee of Rs 39.40 lakh by violating the decision of the HPPC and failure of the department to invoke risk and cost clause against the defaulting supplier put extra burden of Rs 64.05 lakh on State exchequer.

The matter was demi-officially referred to the Financial Commissioner and Principal Secretary to Government of Haryana, Transport Department in April 2008; reply had not been received (August 2008).

#### **Food and Supplies Department**

##### **4.3.4 Undue favour to rice millers**

**Injudicious decision to allow less out turn ratio of rice on fair average quality paddy resulted in undue favour to the millers and a loss of Rs 36.47 lakh to State exchequer.**

Food and Supplies Department procures paddy as per specifications of Government of India (GOI) for Central Pool and provides the same to millers, who in turn deliver rice to Food Corporation of India (FCI) at a fixed out turn ratio of paddy. The GOI conveyed (1 September 2005) uniform specifications of paddy and rice for Kharif Marketing Seasons (KMS) 2005-06 which were circulated (9 September 2005) to procuring agencies by the Director, Food and Supplies, Haryana, Chandigarh. Before the commencement of procurement (from 1 October 2005), the State Government approached (26 September 2005) the GOI for grant of relaxation in specifications of paddy/rice and to lower the out turn ratio of rice due to unprecedented and incessant rains during September 2005 to avoid distress sale of paddy by farmers.

Pending grant of relaxation in specifications, the Department started procuring paddy of Fair Average Quality (FAQ) as per specifications. The GOI relaxed (6 October 2005) the specifications of paddy for procurement from 6 October to 24 October 2005 and directed the procuring agencies to stock and account for separately the stocks procured up to 5 October 2005, up to 24 October 2005 and thereafter. The State Government again approached (14 and 24 October 2005) the GOI to extend the relaxation beyond 24 October 2005 to

cover the entire period of KMS 2005-06. The GOI decided (28 October 2005) to extend the relaxation up to 15 November 2005 and to reduce the out turn ratio to 66 per cent for paddy procured by State procuring agencies with the relaxed specifications. On further approaching (28 November 2005) by the State Government, the GOI also agreed (5 December 2005) to allow relaxation for the period from 1 October to 5 October and further extended the relaxation upto 30 November 2005. No such relaxation was admissible on FAQ paddy procured by procuring agencies as per standard specifications prescribed by GOI, on which out turn ratio of 67 per cent was to be obtained from the millers. The financial burden on account of reduction in out turn ratio was to be shared equally by the State Government and GOI. The department had procured 68,950<sup>5</sup> Metric Tonnes (MT) paddy of FAQ and 5,84,513 MT of paddy with relaxed specifications from 1 October 2005 to 30 November 2005.

Audit observed (January 2008) that benefit of reduced out turn ratio to millers was extended even on FAQ Paddy (68,950 MT) alongwith paddy procured with relaxed specifications on the ground that Punjab had given this benefit. The decision of the State Government lacked justification as the Department had procured paddy during 1 October to 5 October and from 16 November to 30 November 2005 as per specifications laid down by the GOI which had out turn ratio of 67 per cent.

Thus, injudicious decision to extend the benefit of reduced out turn ratio had resulted in undue favour to the millers and a loss of Rs 36.47 lakh to the State exchequer.

The Financial Commissioner and Principal Secretary to Government Haryana, Food and Supplies Department stated (May 2008) that relaxation in paddy and rice was sought owing to untimely and unseasonal rains in the interest of farmers and grant of relaxation did not result any undue benefit to the Rice Millers. The reply was not acceptable as the GOI allowed the benefit of reduced out turn ratio on the paddy procured under relaxed specifications (URS) only whereas the State Government procured FAQ paddy during the extended relaxed period on which the benefit was not admissible.

## **Social Justice and Empowerment Department**

### **4.3.5 Avoidable payment of bank commission on demand drafts**

**Department made an avoidable payment of Rs 26.53 lakh as commission on preparation of demand drafts to State Bank of India, Mini Secretariat branch, Yamunanagar.**

Reserve Bank of India, Department of Government and Bank Accounts, Central Office, Mumbai (RBI) issued (March 2001) guidelines for the issue of demand

<sup>5</sup> 62,950 MTs during 1 October to 5 October 2005 and 6,000 MTs during 16 November to 30 November 2005.

drafts at par to Government Departments by State Bank of India and Associates, if the branch was equipped with currency chest, irrespective of accreditation of the Government department seeking remittance facility, the branch was required to provide it at par under Reserve Bank of India Remittance Facility Scheme 1975 and if the branch was not equipped with currency chest but was accredited to do Government business, the branch was required to provide at par remittance facility to the Government department concerned under their own remittance facility scheme. The Commission was payable only when the branch of the bank was not equipped with currency chest and was not accredited to do Government business.

Scrutiny of records (March 2008) of District Social Welfare Officer (DSWO), Yamunanagar revealed that commission charges to the State Bank of India, Mini Secretariat branch, Yamunanagar (Bank) were being paid on the demand drafts made in favour of Block Development and Panchayat Officers/Tehsildars/Naib Tehsildars/Municipal Committees to disburse old age pension, handicap pension and benefits under Rajiv *Bima Yojana*, etc. Though the Bank was accredited to do Government business and was required to issue demand drafts at par, yet it charged commission amounting to Rs 26.53 lakh for preparation of demand drafts for the period from January 2005 to January 2008.

The DSWO stated (March 2008) that the matter was taken up with the Bank (November 2005) but the Bank did not agree and informed that the commission was not payable only in cases where the draft was issued from a branch equipped with currency chest. The reply was not convincing in view of clear guidelines of RBI on the subject. The Department should have taken up the matter with higher authorities of the bank to avail of the facility of obtaining demand drafts at par, thereby avoiding the payment of Rs 26.53 lakh on this account.

The matter was demi-officially referred to the Financial Commissioner and Principal Secretary to Government of Haryana, Social Justice and Empowerment Department in March 2008; reply had not been received (August 2008).

#### **Home Department**

#### **4.3.6 *Inadmissible payment of conveyance allowance to the newly recruited constables during basic training period***

**The Department made inadmissible payment of Rs 25.41 lakh on account of conveyance allowance to the newly recruited constables in violation of the provisions of State Civil Services Rules.**

Travelling Allowance Rules provide that a competent authority may grant on such conditions as it may think fit to impose, a monthly conveyance allowance to any Government employee who is required to travel extensively at or within a short distance from his Headquarters under conditions, which do not render him eligible for daily allowance. Punjab Civil Services Rules, as applicable in Haryana,

further provide that no conveyance allowance should be drawn for the period of absence on leave or training.

Scrutiny of records (October-November 2007) of Commandants I, II, IV and V Battalion of Haryana Armed Police stationed at Ambala and Madhuban and subsequent information collected between November 2007 and July 2008 revealed that 4,714<sup>6</sup> constables were recruited between January 2004 and December 2007 and provided basic training for nine months. The Pay Bills prepared by all these Commandants showed that sum of Rs 25.41 lakh on account of conveyance allowance, as detailed below, was paid to the constables during basic training period between January 2004 and June 2008 in contravention of the above rules. This had resulted in an inadmissible payment of conveyance allowance of Rs 25.41 lakh.

Sr. No.	Name of office	Number of constables on training	Amount of conveyance allowance (Rupees in lakh)
1.	Commandant, I Battalion, HAP, Ambala	1,168	6.29
2.	Commandant, II Battalion, HAP, Madhuban	1,062	5.73
3.	Commandant, IV Battalion, HAP, Madhuban	1,106	5.97
4.	Commandant, V Battalion, HAP, Madhuban	1,378	7.42
<b>Total</b>		<b>4,714</b>	<b>25.41</b>

On being pointed out in audit, the Director General of Police stated (June 2008) that conveyance allowance had been allowed to the newly recruited constables keeping in view extensive travelling by them during field training and rapid deployment during emergent situation for which they have to travel extensively within short distance. The reply was not acceptable as basic training of nine months duration was provided at the basic training centre only. Moreover, no conveyance allowance was paid by the 3<sup>rd</sup> Battalion during basic training period, which substantiated the audit view point that conveyance allowance was not payable during basic training period.

Thus, due to non-following the provisions of *ibid* Rules, inadmissible payment of Rs 25.41 lakh on account of conveyance allowance to the newly recruited constables was made.

The matter was demi-officially reported to the Financial Commissioner and Principal Secretary to Government of Haryana, Home Department in April 2008; reply had not been received (August 2008).

<sup>6</sup> Commandant I: 1,168; Commandant II: 1,062; Commandant IV: 1,106 and Commandant V: 1,378.

**Public Relations and Cultural Affairs Department**

**4.3.7 Payment made in contravention of provisions of contract agreement**

**Decision of the Government to release part payment for unsatisfactory service rendered by a Public Relations Company was not in consonance with the provisions of the agreement. The amount of Rs 21.05 lakh paid, therefore, was inadmissible.**

With the aim of designing and executing publicity campaigns as well as other public relation work for proper projection of the policies and programmes of the Government and to involve people from different walks of life in the shared vision of the development of the State, Public Relations and Cultural Affairs Department engaged (June 2006) a Company for this job. Terms and conditions of the agreement executed on 5 July 2006 between the Department and the Company stipulated that payment at the rate of Rs 4.50 lakh per month would be made provided the Company submitted a quarterly progress report to the satisfaction of the Government.

Scrutiny of records (July 2007) of Director, Public Relations and Cultural Affairs Department revealed that the Department never accepted the progress reports submitted by the Company as it failed to provide any service for most part of the contract period and whatever services were provided were not to the satisfaction of the Department. Much of the work claimed by the Company to have been accomplished had actually been done by the Department itself. The Department terminated (15 March 2007) the contract and released Rs 21.05 lakh on 31 March 2007 for the period from 5 July 2006 to 15 March 2007 after deducting 50 *per cent* of the payable amount as penalty on account of default in performance of the agreed contract.

The decision of the Department was not in consonance with the provisions of the agreement, which had no provision for making partial payment on account of non-performance or deficient service. Clause 1.4 (iii) (a) of the agreement, provided that if the quality of the progress report was not to the satisfaction of the Government department, no payment would be made to the Company. As such, no amount on account of the work performance was payable to the Company. This had resulted in inadmissible payment of Rs 21.05 lakh.

The Director stated (December 2007) that repeated efforts were made to help the Company and make relationship work but on seeing their unsatisfactory performance, the Department had no other alternative except to terminate their services. The decision to make 50 *per cent* payment to the Company was got approved from the Government. The Commissioner and Secretary to Government Haryana, Public Relations and Cultural Affairs Department stated (April 2008) that the agency could not substantiate its worth by complying with the scope of work agreed upon and agreement was terminated in sub-clause (d) of clause (iii) of condition 1.4 of the agreement. The reply was not acceptable as the decision for making payment was not in order because the performance report of the

Company was never found satisfactory by the Department. Moreover, no rational basis was available on record to justify the release of 50 per cent of the payable amount.

#### 4.4 Idle investments/idle establishment/blocking of funds

##### Public Works Department (Water Supply and Sanitation Branch)

##### 4.4.1 Unfruitful expenditure incurred on Electrodialysis based Desalination Plants

**Due to non-conducting of survey and pre-feasibility study to ensure the sufficient quantity and quality of surface and ground water sources by the Department, expenditure of Rs 80.63 lakh incurred on installation of Electrodialysis based Desalination plants and connected civil works was rendered unfruitful.**

Manual on Water Supply and Treatment provides that projects should be identified and prepared in adequate detail in order to enable timely and proper implementation. Pre-feasibility study should be carried out to ensure quantity and quality of surface and ground water resources, actual and potential in the project area and vicinity.

To provide potable drinking water to the inhabitants of the villages having deficient water sources in Mewat area, Mewat Development Agency (MDA) administratively approved two estimates amounting to Rs 79.50 lakh and Rs 20.34 lakh for installation of Electrodialysis based Desalination Plants (ED plants) and tube-wells in four villages in March 2001 and September 2001 respectively. The brackish raw water generated by tube-wells was to be treated by ED plants for making the water potable. Provision was made in the estimates for the installation of three ED plants of 2,000 litres per hour (LPH) capacity in villages Salamba, Salaheri, Jaivant and one ED plant of 1,000 LPH capacity in village Madhi, tube-wells, generating sets and construction of underground feed storage tanks, chambers for installation of plants and generating sets. The civil works in respect of village Madhi were allotted to the agency (July 2001). The work of designing, supplying, installation, testing and commissioning of three<sup>7</sup> ED plants was allotted (September 2001) to an agency for Rs 40 lakh. The civil works in respect of villages Salaheri and Jaivant were allotted to different contracting agencies between October 2001 and January 2002. Total expenditure of Rs 80.63 lakh was incurred on these works.

Scrutiny of records (June 2007) of the Executive Engineer, Water Supply and Sanitation Division-I, Nuh, revealed that the division did not conduct any survey/

<sup>7</sup> Villages Salaheri, Madhi and Jaivant.

pre-feasibility study to ensure the availability of sufficient quantity of water required to operate the ED plants notwithstanding the fact that the Department was aware of the shortage of water in this area. Though the ED plants were installed between November 2001 and March 2002, the raw water to be treated by these plants was not available. As a result, ED plants installed in these villages could not be made operational due to non-availability of raw water and thus the objective of the scheme to provide potable water to the villagers was not achieved.

On being pointed out in audit, the Engineer-in-Chief, PWD, Water Supply and Sanitation Branch stated (August 2008) that though preliminary survey appears to have been conducted to ensure the availability of water but the fact remains that plant at Madhi was non-functional since its installation and plants at Salaheri and Jaiwant had remained operational for a short period i.e. less than one year and thereafter remained non-functional. He further stated that disciplinary action was also being taken against officers at fault. Reply was not acceptable because required quantity of raw water to operate these plants was not ensured before installation of these plants and no proper/detailed survey and pre-feasibility study was carried out.

Thus, due to non conducting of survey and pre-feasibility study to ensure the quantity and quality of surface and ground water sources by the Department, expenditure of Rs 80.63 lakh incurred on installation of ED plants and connected civil works was rendered unfruitful, as the potable water could not be supplied to the inhabitants of the villages because of non-functioning of ED plants.

The matter was demi-officially referred to the Financial Commissioner and Principal Secretary to Government of Haryana, Water Supply and Sanitation Branch, in June 2008; reply had not been received (August 2008).

#### **Public Works Department (Irrigation Branch)**

#### **4.4.2      *Blocking of funds due to tardy implementation of Hisar-Ghaggar drain project***

**A portion of the Hisar-Ghaggar Drain constructed at a cost of Rs 12.33 crore could not be put to use due to non-completion of the other portion.**

Construction of Hisar Ghaggar drain from RD 0 to 360000 envisaged as a comprehensive drainage scheme to cover the Ghaggar and Internal Drainage tracts was approved (November 2002) by the Government at a project cost of Rs 164 crore, with the financial assistance of National Bank of Agriculture and Rural Development (NABARD). The project, targeted to be completed by March 2005, envisaged to carry flood water and sewage water of towns falling on route of Hansi, Bhiwani, Hisar, etc. and to meet the demand of water for

irrigation. The department, however, failed to complete the project within the stipulated period despite timely sanction of loan by NABARD in March 2003.

Scrutiny of records of the Executive Engineers, Construction Division No. 6 and 7, Hisar (EE) revealed that Hisar-Ghaggar Drain was to be constructed from RD 0 to 360000, out of which a portion RD 0 to 109000 was completed in October 2007 at a cost of Rs 12.33 crore. However, the drain could not be made functional due to non-completion of the remaining portion of drain from RD 109000 to 360000 by Construction Circle, Hisar.



**Non-functional Hisar Ghaggar drain at RD 83450**

On being pointed out in audit (June 2008) the Superintendent Engineer, Construction Circle, Hisar stated (August 2008) that the remaining portion of the drain could not be completed as the work of construction of village road bridges and foot bridges were still in progress. The reply indicates that the implementation of the project was delayed due to non-synchronisation of various components of the work.

Thus, non-completion of a portion of the Hisar-Ghaggar drain resulted in blocking of funds of Rs 12.33 crore.

The matter was demi-officially referred to the Financial Commissioner and Principal Secretary to Government of Haryana, Irrigation Department in June 2008; reply had not been received (August 2008).

## 4.5 Regulatory issues and others

### Co-operation Department

#### 4.5.1 *Injudicious payment on account of training and managerial subsidies to Self Help Groups*

#### **Injudicious payment of Rs 15.90 lakh was made to Self Help Groups on account of training and managerial subsidies.**

The State Government decided to organise Self Help Groups (SHGs) in the rural areas with the aim to generate additional employment. Each SHG was to engage in homogenous activities like carpentry, *zari jooti* making, shoe making, *masala* and pickle making, rosary beads of *tulsi* and sandal wood, quality earthen wares, *moodha* making, etc. Each SHG was to get Rs 10,000 as training subsidy, Rs 25,000 as managerial subsidy and Rs 65,000 as interest subsidy on the loans borrowed by them from the financial institutions/co-operative banks. As stipulated in the sanction orders of subsidy, Haryana Co-operative Development Federation (HARCOFED) was to organise training programmes for the workers/members of SHGs.

Scrutiny of records (July 2006-April and May 2007) of Registrar, Co-operative Societies Haryana, Panchkula (the Registrar) revealed that the department constituted 75 SHGs in 2005-06 and 42 SHGs in 2006-07. Out of these, training and managerial subsidies Rs 11.60 lakh<sup>8</sup> and Rs 28.21 lakh<sup>9</sup> were released to 116 and 113 SHGs respectively during 2005-07. Training subsidy amounting to Rs 11.60 lakh was not deposited with HARCOFED after recovering from the SHGs. Even HARCOFED was not requested to chalk out any training programme as of May 2008 and as such no training was provided to workers/members of SHGs.

Scrutiny of applications submitted by SHGs for release of managerial subsidy revealed that in 23 cases, the SHGs had clearly indicated monthly salary payable to manager (managerial subsidy) less than Rs 25,000 per annum but the Registrar released Rs 25,000 to each group which resulted in excess release of subsidy of Rs 1.50 lakh. Similarly, in 16 cases the SHGs had not demanded any amount of managerial subsidy whereas the Registrar released the subsidy to them at the rate of Rs 25,000, which amounted to Rupees four lakh. Thus, the Registrar released excess subsidy Rs 5.50 lakh on account of managerial subsidy.

On being pointed out in audit, the Registrar stated (between September 2007 and June 2008) that efforts were being made to get the training imparted from HARCOFED by recovering the amount from SHGs. As regards managerial subsidy, orders for recovery of the amount had been issued (December 2007).

<sup>8</sup> Training subsidy; 2005-06: Rs 7.50 lakh; 75 SHGs and 2006-07: Rs 4.10 lakh; 41 SHGs.

<sup>9</sup> Managerial subsidy; 2005-06: Rs 17.72 lakh; 71 SHGs and 2006-07: Rs 10.49 lakh; 42 SHGs.

However, the fact remains that even if the recovery is made and training is imparted, the purpose of training at this belated stage would not be served as the SHGs had been working for the last one to two years. As regards recovery of amount from SHGs, training subsidy of Rs 1.20 lakh only had been recovered (between April 2007 and June 2008) from 12 SHGs and Rupees one lakh deposited into Government treasury and Rs 0.20 lakh with HARCOFED. The balance amount of Rs 15.90 lakh was yet to be recovered (June 2008).

Thus, training and managerial subsidies amounting to Rs 15.90 lakh was released injudiciously to SHGs.

The matter was demi-officially reported to Financial Commissioner and Principal Secretary to Government of Haryana, Co-operation Department in December 2007; reply had not been received (August 2008).

### Public Works Department (Irrigation, Buildings and Roads and Water Supply and Sanitation Branches)

#### 4.5.2 Miscellaneous Public Works Advances

##### 4.5.2.1 Introduction

'Miscellaneous Public Works Advances' (MPWA) is a suspense head under Major Head-2059 Public Works, which is intended to record (i) transactions relating to sales on credit; (ii) expenditure incurred on deposit works in excess of deposits received; (iii) losses, retrenchments, errors, etc. and (iv) other items of expenditure, the allocation of which is not known and which can not immediately be adjusted to the final head of account. Records relating to unclassified transactions, sales on credit, losses, other items of expenditure, etc. placed under MPWA during the year 2003-08 in 47 out of 190<sup>10</sup> divisions {Irrigation: 15 divisions, Buildings and Roads (B&R): 20 divisions, and Water Supply and Sanitation (WSS): 12 divisions} were test checked during January-March 2008.

In 190 divisions in the State, a sum of Rs 180.85 crore was outstanding under MPWA as on 31 March 2008 as shown below:

Sr. No.	Description	Irrigation	B&R	WSS	Total
		(Rupees in crore)			
1.	Sales on credit	--	0.01	0.06	0.07
2.	Expenditure on deposit works in excess of deposits received	0.17	--	1.44	1.61
3.	Losses, retrenchments, errors, etc.	0.21	0.13	0.45	0.79
4.	Other items <sup>11</sup>	94.36	41.81	42.21	178.38
<b>Total</b>		<b>94.74</b>	<b>41.95</b>	<b>44.16</b>	<b>180.85</b>

<sup>10</sup> Irrigation: 89 divisions; B&R: 57 divisions and WSS: 44 divisions.

<sup>11</sup> Other items include debits, the classification of which could not be determined at once, recoverable debits not pertaining to the accounts of a work and recoverable outstanding pertaining to works accounts of which were closed.

As per MPWA registers maintained by the divisions test checked, 1,658 items involving Rs 50.17 crore are outstanding as of 31 March 2008. Category-wise outstanding items are given in **Appendix XXXV**.

Addition to and clearance from the outstanding balances as per Form PWA-32 during 2003-08 in divisions test checked is as under:

Year	Opening balance as on 1 April	Addition during the year	Clearance during the year	Closing balance as on 31 March
(Rupees in crore)				
2003-04	37.63	14.29	12.57	39.35
2004-05	39.35	5.50	12.11	32.74
2005-06	32.74	22.40	13.13	42.01
2006-07	42.01	38.09	28.55	51.55
2007-08	51.55	49.10	50.63	50.02

The above table showed that balances under this head increased from Rs 37.63 crore to Rs 50.02 crore during 2003-08, an increase of nearly 33 per cent.

The outstanding balances reported through monthly account (Form PWA-32) for March 2008 did not agree with those shown in the MPWA register in 19 out of 47 test checked divisions as detailed below:

Number of divisions	Outstanding balances as per monthly account	Outstanding balances as per MPWA register	Difference excess (+)/ less (-)
(Rupees in crore)			
8	27.82	27.03	(+) 0.79
11	3.56	3.93	(-) 0.37

Similarly, in 10 divisions, the balances of MPWA had not been carried over correctly resulting in difference in the balances of miscellaneous advances as per monthly accounts for March 2008 as indicated below:

Number of divisions	Outstanding balances <sup>12</sup>	Outstanding balances as per monthly account	Difference excess (+)/ less (-)
(Rupees in crore)			
5	1.14	2.02	(-) 0.88
5	2.76	2.45	(+) 0.31

Thus, there was a net difference of Rs 0.15 crore due to improper maintenance of MPWA registers and non-reconciliation of balances with Form PWA- 32 and 41.

#### 4.5.2.2 Analysis of outstanding balances

As laid down in paragraph 10.23 of the Manual of Orders of PWD, B&R, the Divisional Officer is required to take effective steps to clear the outstanding items under MPWA within reasonable time. However, it was noticed that Rs 7.42 crore (1,051 items) were outstanding for more than 10 years in the test checked

<sup>12</sup> Worked out by taking opening balances as on 1 April 2003 and total additions and clearances during 2003-04 to 2007-08 (as depicted in Form PWA-41).

divisions including 124 items of Rs 0.31 crore outstanding since November 1966 or earlier years.

Persistent increases in outstanding balances and delay in their clearance were attributable mainly to non-availability of details of items with the concerned divisions, non-adjustment of advances released to suppliers/contractors, advance payments made to other divisions/departments, shortage/non-accountal of material, non-recovery of amounts against non/short supply of material by firms/contractors, etc. Effective steps to clear these balances were, thus, not taken by the divisions test checked. Some of the significant cases are discussed below:

- ***Insufficient details of items***

An amount of Rs 29.34 lakh was outstanding since 1965-66 in WSS Division-I, Rohtak and another amount of Rs 7.85 lakh was outstanding in Provincial Division-I, Ambala since 1997-98 and earlier years. This was also pointed out vide para 4.18.5 (A) of the Report of the Comptroller and Auditor General of India for the year ended March 1997 (Civil), Government of Haryana. The Public Accounts Committee (PAC) in its 52<sup>nd</sup> report (March 2002), desired that the detailed report about recoveries of the balance amount in each case be intimated to them within six months but the Government has not been able to respond to PAC recommendations even after six years.

The Engineer-in-Chief (EIC), WSS stated (August 2008) that efforts were being made to recover the outstanding amount from concerned departments/parties. The EIC, PWD-B&R stated (August 2008) that the details of the outstanding amount were not available with the divisions as old record was destroyed in fire. The reply was not acceptable as no adequate efforts had been taken by the divisions to trace out the details of persons/departments/parties from whom these amounts were recoverable.

- ***Embezzlement/misappropriation of Government money***

In WSS Division-II, Bhiwani, a sum of Rs 3.28 lakh was outstanding against an official (fitter coolie) on account of fraudulent collection of water bills. Though the fraud came to the notice of the department in July 2003, First Information Report was lodged (July 2005) with the police (Bhiwani) and charge sheet under Rule 7 of the Haryana Civil Services (Punishment and Appeal) Rules, 1987 was issued in January 2006. Neither any inquiry nor any action had been taken and the amount was placed in MPWA in May 2006. The official was on duty in the same circle but recovery had not been started so far (June 2008).

- ***Non-adjustment of advance payment to firms***

In 33 divisions, 197 items amounting to Rs 12.66 crore were outstanding against various firms/suppliers for want of receipt of material or due to non-adjustment of

material. The branch-wise position was as under:

(Rupees in crore)			
Branch	Number of Divisions	Number of items	Amount outstanding
Irrigation	6	19	0.10
B&R	17	105	7.70
WSS	10	73	4.86
<b>Total</b>	<b>33</b>	<b>197</b>	<b>12.66</b>

Some cases of delay in clearance of outstanding balances were as under:

(Rupees in crore)						
Name of division	Amount of advance	Date of payment	Name of firm	Purpose	Amount adjusted	Balance outstanding
Provincial Division III, (NH), Rohtak	1.50	During 1999-2001	Indian Oil Corporation Limited (IOCL), Karnal	Supply of bitumen	0.82 (between September 2004 and July 2006)	0.68
Provincial Division II, Hisar	0.06	December 2002	IOCL, Panipat	Do	-	0.06
WSS Division, Charkhi Dadri	0.13	March 2002	Shree Cement	Supply of cement	-	0.13
	1.15	March 2004	J. K. Cement	Do	-	1.15
WSS Division, Panchkula	0.04	June 2001	Gujrat Ambuja Cement Limited,	Do	-	0.04
	0.03	March 2004	Shree Cement	Do	-	0.03

No efforts were made by these divisions to obtain the material or to adjust the outstanding advances.

- ***Non-recovery for shortages/non-accountal of material from departmental officers/officials/suppliers and contractors***

Rupees 10.62 crore were outstanding against 1,216 items on account of shortages/non-accountal of stores/non-handing over charge of stores, etc. by the departmental officers/officials, non-recovery from suppliers and contractors. Reasons for outstanding balances in some of the cases were as under:

Number of divisions	Number of items	Amount outstanding (Rupees in lakh)	Reasons
20	243	19.27 <sup>13</sup>	Whereabouts of the officers/officials were not known to the divisions.
27	124	44.33 <sup>14</sup>	Officers/officials who stood retired/dismissed or expired.
8	49	10.63 <sup>15</sup>	Shortage of stores detected during physical verification or at the time of transfer of officers/officials and outstanding for over five years.
25	342	128.73 <sup>16</sup>	Short/non-supply of material/defective supply of material, excess payment, etc.
23	191	821.07 <sup>17</sup>	Works got done under risk and cost clause of the agreements, damages levied for delay in execution of works, etc.

<sup>13</sup> Buildings and Roads Branch: 5 divisions, 70 items, Rs 4.23 lakh; Irrigation: 10 divisions, 150 items, Rs 13.77 lakh and WSS: 5 divisions, 23 items, Rs 1.27 lakh.

<sup>14</sup> Buildings and Roads Branch: 7 divisions, 41 cases, Rs 3.88 lakh; Irrigation: 13 divisions, 61 cases, Rs 39.291lakh and WSS: 7 divisions, 22 cases, Rs 1.16 lakh.

<sup>15</sup> Buildings and Roads Branch: 2 divisions, 11 cases, Rs 0.65 lakh; Irrigation: 4 divisions, 34 cases, Rs 8.90 lakh and WSS: 2 divisions, 4 cases, Rs 1.08 lakh

<sup>16</sup> Irrigation: 103 items, Rs 24.46 lakh; B&R: 66 items, Rs 14.74 lakh and WSS: 173 items, Rs 89.53 lakh.

<sup>17</sup> Irrigation: 24 items, Rs 44.20 lakh, B&R: 62 items, Rs 630.49 lakh and WSS: 105 items, Rs 146.38 lakh.

Although these cases were brought to notice of the department through inspection reports but no concrete actions to clear them were taken.

- ***Outstanding balances against other divisions/departments/ corporations***

One hundred and seventy six items of Rs 23.62 crore<sup>18</sup> were outstanding on account of advances made to Haryana Vidyut Prasaran Nigam Limited (HVPNL), Haryana State Electronics Development Corporation Limited (HARTRON), Railways, Public Works Divisions and other departments for supply of stores, adjustment of energy charges, etc. Some of the cases are discussed below:

- Public Health Division, Panchkula made advance payment of Rs 20.15 crore to Haryana State Electricity Board (HSEB) during April 1992 to July 1993 on account of energy charges for clearance of part dues of maintenance of Rural Water Supply Scheme in the State. Of this, Rs 14.85 crore were adjusted and balance Rs 5.30 crore were outstanding. The PAC in its 52<sup>nd</sup> report (March 2002) had desired that the recoveries of the balance amount in each case be settled at the earliest and detailed report be intimated to them within six months. Further, WSS Division, Panchkula made advance payment of Rs 25 crore in March 2002 on account of outstanding arrears of energy charges on behalf of all WSS Divisions in Haryana to HVPNL. Out of this, an amount of Rs 8.88 crore in respect of 18 sub-divisions of 11 divisions was adjusted during September 2002-October 2004 and balance amount of Rs 16.12 crore was still outstanding (March 2008). The EIC, WSS stated (August 2008) that the balance amount of Rs 5.30 crore could not be adjusted due to non-availability of exact figures of energy charges. This showed that inspite of recommendations of the Committee no efforts were made by the department to adjust the balance amount.
- The WSS Division, Ambala advanced Rs 7.90 lakh in February 2005 for installation of tubewell to Mechanical WSS Division, Ambala. The advance was not adjusted/recovered even after lapse of a period of three years.
- Construction Division-21, Rohtak paid advance of Rs 27.88 lakh during May 1997 to April 1999 for construction of bridge on Lakhan Majra link drain at km 86.7 of National Highway-10 to Provincial Division-III, Rohtak, which was completed and expenditure of Rs 17.57 lakh incurred was adjusted in March 2008. But no action had been taken to get the balance amount of Rs 10.31 lakh refunded.

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<sup>18</sup> Irrigation: 48 items, Rs 1.30 crore; B&R: 69 items, Rs 0.18 crore and WSS: 59 items, Rs 22.14 crore.

#### **4.5.2.3 Other points of interest**

- The WSS Division-III, Hisar was shifted in February 2006 to Nuh (Mewat) and the works/records were transferred to WSS Division-I and II, Hisar. MPWA of Rs 24.80 lakh (as per form PWA-32 in monthly account of January 2006) was required to be transferred to concerned WSS Divisions at Hisar through proforma accounts. A perusal of records revealed that the balance was neither carried over by the Division at Nuh nor transferred to Hisar Division. As a result of this, an amount of Rs 24.80 lakh was left unaccounted for without affecting any recovery since February 2006.
- Construction Division-VII, Hisar deposited (March 2002) Rs 10 lakh with District Revenue Officer-cum-Land Acquisition Officer, Hisar for acquisition of land for Sidhmukh-Nohar irrigation project and Rs 3.61 lakh was utilised in 2003 for payment of compensation for land. The balance amount of Rs 6.39 lakh was not recovered even after lapse of more than four years.

#### **4.5.2.4 Monitoring**

As laid down under Article 196 of Account Code Volume III, the Executive Engineer (EE) is required to review the register of MPWA every month to ensure speedy clearance of items placed therein. It was, however, noticed that MPWA registers were not maintained properly in 20 out of 47 divisions test checked as monthly abstracts were not prepared and submitted to the EE every month. As such registers were not reviewed by the concerned EE/Divisional Accounts Officer in these divisions to take effective steps for clearance of old outstanding items.

The position of outstanding items under the suspense head 'MPWA' was reported by the concerned divisions to the respective Superintending Engineers through quarterly progress returns for onward transmission to the Engineers-in-Chief (EIC) of WSS, Irrigation and B&R branches, indicating increase and decrease in balances. However, the monitoring for the clearance of items was not being done either at circle level or at EICs level. Old items involving substantial amounts were not analysed and adequate efforts were not made to locate the officers/officials responsible for such long outstanding items.

There was rising trend in the accumulation under MPWA during 2003-08. The increase was primarily due to lack of follow up action by the concerned Divisional Officers. Some divisions had not even maintained MPWA registers properly, as a result of which, the Divisional Officers could not review those registers. Monitoring to clear the items of MPWA was weak at all levels including that of EICs as no effective steps were taken by them to clear the outstanding items. There were variations between the figures shown in monthly accounts and those included in MPWA registers. There were heavy outstandings against firms,

supplies and contractors on various accounts and also against officials whose whereabouts were not known and who stood retired/dismissed and expired.

With a view to reduce the accumulation in MPWA, following recommendation are made:

- The Department should review the accounts of suppliers and pursue with them to settle the accounts.
- Inquiry against officers/officials for shortage of material or unauthorised expenditure should be conducted speedily and recoveries made.
- Matter regarding recovery of dues from other Government Departments/Corporations should be taken up at Government level.
- Money paid in advance to contractors /suppliers before delivery of supplies or executing of works should be backed by adequate security/bond guarantee to protect the interests of the Government.
- Monitoring system should be made effective at all levels to reduce the outstanding items.

The above observations were demi-officially referred to the Financial Commissioners and Principal Secretaries to Government of Haryana, Public Works Department (Irrigation, Buildings and Roads and Water Supply and Sanitation Branches) in June 2008; reply had not been received (August 2008).

#### **4.6 General**

##### **4.6.1 Finance Department and Animal Husbandry and Dairying Department**

- ***Follow-up on Audit Reports/Non-responsiveness to audit findings and observations resulting in erosion of accountability***

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

A review of the position regarding receipt of Action taken Notes (ATNs) on the paragraphs included in the ARs upto the period ended 31 March 2007 revealed

that the ARs for the period 2004-07 were presented<sup>19</sup> to State Legislature. Of the 107 paragraphs and reviews of 28 Administrative Departments included in ARs 2004-07, 17 Administrative Departments had not submitted the ATNs on 28 paragraphs and reviews as per details given in the **Appendix XXXVI**. The administrative departments namely Public Works Department (Buildings and Roads), Irrigation, Agriculture, Education and Finance had not submitted the ATNs on 12 out of 28 paragraphs/reviews. Six Administrative Departments, out of those who had submitted the ATNs, had not taken any action to recover the amount of Rs 207.27 crore in respect of 10 paragraphs and reviews as per details given in the **Appendix XXXVII**. Further the response of Administrative departments towards the recommendations of PAC was not encouraging as 463 recommendations relating to Audit Reports 1970-71 to 2002-03 were still pending for want of final action by the concerned Administrative Departments as per details given in **Appendix XXXVIII**.

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

A review of IRs issued upto March 2008 of various offices of 20 districts of Animal Husbandry and Dairying Department disclosed that 624 paragraphs of 261 IRs with money value of Rs 76.76 crore (**Appendix XXXIX**) remained outstanding at the end of June 2008. Of these, 104 IRs containing 216 paragraphs were more than 5 years old.

The Administrative Secretary of the Department, who was informed of the position through half yearly reports, failed to ensure prompt and timely action by the departmental officers. Out of total irregularities of Rs 76.76 crore as detailed in **Appendix XL** which had not been settled as on 30 June 2008, serious irregularities such as non-recovery/short recovery of excess payment of pay and allowances, short recovery of artificial insemination, outstanding recovery of loan/seed and margin money, etc. were for Rs 29.55 crore.

The matter was demi-officially referred to Financial Commissioner and Principal Secretary to Government of Haryana, Animal Husbandry and Dairying Department in July 2008; reply had not been received (August 2008).

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<sup>19</sup> Audit Report 2003-04: March 2005, Audit Report 2004-05: March 2006, Audit Report 2005-06: March 2007 and Audit Report 2006-07: March 2008.