CHAPTER 2

PERFORMANCE AUDIT

Public Health Engineering Department

2.1 Sewerage Schemes

About 80 per cent of sewage is generated due to domestic wastewater discharged from the houses. Sewerage schemes provide hygienic facilities to the public and reduce water pollution in rivers/canals. 70 out of 154 (2011 Census) towns of the State have been covered with partial sewerage facilities while balance 84 towns have not been provided with sewerage facilities.

Some of the significant findings are enumerated below:

Only 598.34 MLD (50 *per cent*) out of 1188.53 MLD sewage generated in the State was treated.

(Paragraph 2.1.6.1)

There was an expenditure of ₹ 323.96 crore on 158 incomplete Urban Sewerage Schemes as of March 2013. Out of these, 41 schemes were awaiting completion for the last three to eight years.

(Paragraph 2.1.8)

Sewage Treatment Plant (STP) for Bawal town constructed at a cost of ₹ 5.48 crore remained non-functional and sewerage scheme for Kosli town in Rewari district remained abandoned since December 2009 after spending ₹ 9.15 crore.

(Paragraph 2.1.10.1)

STP of Ganaur town though shown completed on 30 September 2010 was running without filter media, as a result of which waste water was being discharged without treatment.

(Paragraph 2.1.10.3)

As against generation of 200 MLD wastewater in Faridabad, only 94 MLD of wastewater was treated while the capacity of treating was 160 MLD.

(Paragraph 2.1.11.2)

Functioning of 18 STPs constructed under Yamuna Action Plan was not up to the mark as 229 samples out of 232 samples of these STPs were found to be below norms.

(Paragraph 2.1.11.5)

2.1.1 Introduction

About 80 *per cent* of sewage is generated due to domestic wastewater discharged from the houses. Rapid urbanization and increase in population was creating insanitary conditions, environmental pollution and increase in diseases. It needs to be ensured that sewage or excreta and sullage discharged is properly collected, transported, treated to the required degree and finally disposed of. In order to provide hygienic sewerage and sanitation facilities, 70 out of 154 (2011 Census) towns of the State have been covered with partial sewerage facilities while balance 84 towns have not been provided with sewerage facilities.

2.1.2. Organisational set-up

Haryana State Water Supply and Sewerage Board, under the Chairmanship of the Chief Minister, accords approval for sewerage schemes and provides funds for their implementation. The Principal Secretary to Government of Haryana (PS), Public Health Engineering Department (PHED) is the administrative head at Government level and is responsible for implementation of policies, programmes and schemes. The Engineer-in-Chief (EIC) is controlling officer and assisted by four Chief Engineers and one Director, Water and Sewerage Support Organisation (WSSO)-cum-Chief Engineer at headquarters with 15 Circle Offices headed by Superintending Engineers (SEs) and 56 Divisional Offices headed by Executive Engineers (EEs). The EEs at divisional level are responsible for the execution of works.

2.1.3. Audit objectives

The main objectives of performance audit are to assess whether:

- the process of planning was adequate and effective;
- the financial management was sound and effective;
- the implementation of schemes was effective, efficient and economical; and
- an effective monitoring system was in place.

2.1.4. Audit scope and methodology

Performance Audit was conducted during March - June 2013 covering the period 2008-13 in the Office of the Member Secretary, Haryana State Water and Sewerage Board, EIC and 18[1] out of 56 divisions under eight out of 15 circles of seven[2] out of 21 districts in the State. The selection of the units was made by

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[1] Public Health Engineering Division, (i) Ambala Cantt., (ii) Ambala City, (iii) Naraingarh, (iv) Gurgaon, (v) No. 1, Hisar, (vi) No 2, Hisar, (vii) No. 3, Hisar (viii) Hansi, (ix) No. 1 Kaithal, (x) No. 2, Kaithal, (xi) No. 3, Kaithal, (xii) No. 1, Karnal, (xiii) No. 2, Karnal, (xiv) Kosli, (xv) Kurukshetra, (xvi) Rewari, (xvii) No. 2, Rewari and (xviii) Sohna.

[2] (i) Ambala, (ii) Gurgaon, (iii) Hisar, (iv) Kaithal, (v) Karnal, (vi) Kurukshetra and (vii) Rewari.

adopting the Probability Proportionate to size Without Replacement method. Besides, Panipat district was selected for pilot study; two more Yamuna Action Plan (YAP) districts i.e. Yamuna Nagar and Faridabad were covered. Important audit findings noticed during annual audit relating to sewerage programme of Mohindergarh, Fatehabad, Sonipat and Mewat districts have been also included in the Report. An 'Entry Conference' was held on 26 April 2013 with the Principal Secretary to Government of Haryana, PHED wherein the audit objectives, audit criteria and scope of audit were discussed.

The audit findings were discussed in the 'Exit Conference' held in September 2013 with the Principal Secretary to Government of Haryana, PHED. The replies of the Government and deliberations of the 'Exit Conference' have been suitably incorporated in the report.

2.1.5. Audit criteria

Audit criteria were derived from the following sources:

- Detailed Project Reports (DPRs) and Feasibility Study Reports (FSRs) of various projects.
- Haryana Public Works Department Code.
- Guidelines/instructions for implementation of sewerage schemes.
- Manual of Sewerage and Sewage Treatment Plant (STP) of Government of India (GOI).

Audit findings

2.1.6. Planning

2.1.6.1. Status of sewage generation and treatment

In 70 out of 154 towns (as per census 2011) of the State, only 598.34 MLD against the generation of 1188.53 MLD sewage was being treated in Sewerage Treatment Plants and balance 590.19 MLD sewage (50 *per cent*) was being left untreated. Remaining 84 towns and rural areas were not covered by any sewerage schemes.

The EIC stated during the exit conference that out of 154 towns, only 80 towns, were notified, out of which 77 towns were under the purview of PHED while sewerage systems of three towns i.e. Panchkula, Faridabad and Gurgaon were being maintained by Municipal Corporations and Haryana Urban Development Authority. The EIC further stated that the partial sewerage facility had been provided in 67[3] towns and the estimates for the remaining 10 towns had since been administratively approved by the Government.

The Government may endeavour bringing in other 84 towns under the purview of PHED for providing sewage facilities to all towns.

2.1.6.2. Non-preparation of manual

The Government of India, Ministry of Urban Development had brought a manual on sewerage and sewage treatment in 1993 but the Department had neither prepared its own manual nor followed the manual of GOI for execution of various sewerage schemes. Similarly, a comprehensive master plan to address the problems of environment pollution and unhygienic conditions was expected to be prepared by the Department but no such master plan was prepared. In the absence of this, the sewerage schemes were not approved in a systematic manner for providing sewerage facilities in the State.

During the exit conference, the PS, PHED directed the departmental officers to take appropriate steps for preparation of manual and comprehensive master plan for providing sewerage facilities in all the towns in a phased manner.

2.1.6.3 Absence of mandatory provision for sewerage connection

The objective of sewerage schemes was to tap the domestic wastewater of the households by providing connectivity to the main sewer. In respect of seven sewerage schemes completed, sewerage connections had been taken only by a few households as per details given in Table 2.1.1.

Table 2.1.1: Details of connections released to households

Sr. No.	Name of the scheme	Total expenditure incurred (₹ in crore)	Month of completion	Total number of households in the area	Number of households with sewerage connections	Number of households without sewerage connections
1	Sewerage Scheme, Barwala	7.20	March 2011	8,449	157	8,292
2	Sewerage Scheme, Kalayat	11.90	September 2012	2,433	Nil	2,433
3.	Sewerage Scheme, Naraingarh	5.58	2006-07	6,600	703	5,897
4.	Sewerage Scheme, Sohna	8.46	June 2010	5,000	1278	3,722
5.	Sewerage Scheme, Samalkha	8.00	September 2010	6,488	89	6,399
6.	Sewerage Scheme, Ganaur	17.37	September 2010	9,183	105	9,078
7.	Sewerage Scheme, Narnaund	2.78	April 2012	4,169	Nil	4,169
	Total	**61.29**		**42,322**	**2332**	**39,990**

Source: Data provided by divisions concerned

[3] exclusive of three towns Panchkula, Faridadad and Gurgaon being maintained by Municipal Corporations and HUDA.

Only 2,332 households out of 42,322 had taken sewerage connections. State Government had not made it mandatory for the households to take sewerage connections though Haryana Urban Development Authority had made it mandatory for its areas.

During exit conference, the PS, PHED directed the departmental officers to consult the Urban Local Bodies Department and initiate action to make it mandatory for households to take sewerage connections.

2.1.7. Financial outlay and expenditure

The financial outlay and expenditure on urban sewerage schemes under State Plan, National Capital Region (NCR) (Sewerage), Yamuna Action Plan and Economical Stimulus Package during 2008-13 is given in Table 2.1.2.

Table 2.1.2: Details of budget provisions and expenditure incurred during 2008-13

(₹ in crore)

Name of the scheme	Budget Estimates	Revised Estimates	Actual Expenditure	Savings(-)/ Excess (+) w.r.t. Revised Estimates
Urban Sewerage Scheme	586.50	613.13	592.13	(-) 21.00
Economic Stimulus Package (Sewerage)	314.04	314.04	314.04	Nil
Yamuna Action Plan	74.35	74.30	50.94	(-) 23.36
National Capital Region (Sewerage)	206.00	206.00	197.06	(-) 8.94

Source: Data provided by EIC, Panchkula and figures of YAP from Haryana State Budget.

2.1.7.1 Expenditure in excess of estimates

As per paragraph 10.16 of the Public Works Department (PWD) Code, a revised estimate must be submitted when the sanctioned estimate is likely to be exceeded, either due to the rates being found insufficient or for any other reasons whatsoever.

In nine[4] out of 18 test checked divisions, it was noticed that against the approved estimated cost of ₹ 98.80 crore, an expenditure of ₹ 108.55 crore was incurred during 2008-13 on 16 sanctioned works (more than 5 *per cent* in each case). The revised estimates of these works were not prepared as of March 2013.

The EIC stated during the exit conference that the field officers would be directed to prepare the revised estimates for the approval of the competent authority.

[4] (i) Ambala City, (ii) Hansi, (iii) Mohindergarh, (iv) Panipat No 2, (v) Rewari No. 2, (vi) Kosli, (vii) Sonipat No. 3, (viii) Gohana and (ix) Yamuna Nagar No 2

2.1.7.2 Recoverable amount from HUDA

(i) Non-recovery of proportionate O&M charges

Under YAP, STPs were constructed in six[5] towns of the State. Sewage from areas developed by Haryana Urban Development Authority (HUDA) in these towns except Gurgaon (where HUDA had its own STPs) was also diverted to these STPs. The Department was required to recover proportionate O&M charges of STPs from HUDA. It was noticed during audit that an amount of ₹ 10.02[6] crore for four YAP towns and ₹ 80.70 lakh for Fatehabad town remained un-recovered (June 2013) by the department on account of proportionate operation and maintenance charges of STPs.

Further, 35 *per cent* of the total wastewater generated from HUDA Sectors of Rewari town was diverted to sewer of the PHED for treatment. But, bills on account of proportionate operation and maintenance charges of STPs were not raised. On being pointed out, the EE, Rewari stated (April 2013) that the bills for proportionate cost would be raised after obtaining approval from the EIC.

The EIC intimated during the exit conference that HUDA had also to recover charges from PHED on account of water supply and sewerage services being provided by HUDA in few areas of various towns. It was further stated that EE, Rewari would be directed to raise bills for proportionate operation and maintenance charges of STPs against HUDA.

(ii) Non recovery of balance share from HUDA

Sewerage Scheme, Gohana approved (February 2009) at a cost of ₹ 16 crore on funds sharing basis with HUDA (PHED Share: ₹ 12.24 crore and HUDA Share: ₹ 3.76 crore) by National Capital Region Planning Board (NCRPB) was completed at a cost of ₹ 13.96 crore. HUDA had deposited only an amount of ₹ 2.80 crore and balance ₹ 0.96 crore remained unrecovered from HUDA as of March 2013. No efforts were made to recover the amount from HUDA. The EIC intimated during the exit conference that matter regarding recovery of balance amount of ₹ 0.96 crore had, now, been taken up with HUDA.

2.1.7.3 Irregular splitting of works

As per instructions issued from time to time by EIC, bifurcation/splitting of the estimate in order to keep the allotment of works within official's authority should be avoided except in emergent conditions.

In 18 of test checked divisions, it was noticed that 56 estimates/works were bifurcated by the respective EEs into 499 agreements ***(Appendix 2.1)*** costing

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[5] (i) Faridabad, (ii) Gurgaon, (iii) Karnal, (iv) Panipat, (v) Sonipat and (vi) Yamuna Nagar-Jagadhri

[6] (i) Karnal: ₹ 224.97 lakh, (ii) Panipat: ₹ 291.53 lakh, (iii) Sonipat: ₹ 415.74 lakh and (iv) Yamuna Nagar: ₹ 69.80 lakh

₹ 19.14 crore by splitting of works in order to keep the allotment of works within their authority.

Audit scrutiny further showed that most of these agreements were finalized without ensuring the commissioning and connectivity of sewer lines with the main sewer. This irregular and unauthorized procedure had vitiated the transparency in allotment of works. Further, in case of work of gravity flow, levels were to be maintained and as such, the work should be allotted to one agency by adopting the prescribed procedure of tendering to have competitive rates. Thus, the violation of EIC's instructions had not only resulted into financial indiscipline but also failed to bring about transparency in allotment of works. Besides, the agencies executing the works of high value had deprived of participating in the tendering process.

The EIC intimated during the exit conference that the concerned SEs had been directed to call for the explanation of the EEs concerned on this issue.

2.1.7.4 Advances to Land Acquisition Collectors

As per Article 54 read with article 57 of Account Code Volume III, the payments advanced to Land Acquisition Collectors (LACs) should be placed under 'Miscellaneous Public Works Advances (MPWA)'.

In nine test checked divisions, it was noticed (June 2013) that advances of ₹ 39.93[7] crore made to various LACs for acquisition of land for various sewerage schemes, were not placed in the MPWA resulting in non-monitoring for the recovery of balance funds. Further, other records to monitor adjustment of such advance payments were not maintained.

Two cases of inadequate monitoring of advances to LACs are as follows:

➢ ₹ 2.34 crore was deposited with LAC, Panipat on 26 February 2009 for acquisition of land for construction of STP at Samalkha against which award dated 25 June 2009 for ₹ 2.39 crore was given. Out of this, ₹ 75.36 lakh was disbursed to various land owners as land compensation. However, this award was quashed by the Punjab and Haryana High Court on 14 June 2010. The PHED filed a writ petition which was dismissed (18 March 2011). Balance amount of ₹ 1.59 crore was utilized by the LAO against another award dated 26 April 2013.

Payment of ₹ 75.36 lakh made to the land owners had not been recovered so far (June 2013) despite quashing of the award on 14 June 2010. LAC replied (13 June 2013) that EE Panipat had not made available the copy of dismissal of writ petition. The reply indicates lack of co-ordination between LAC and EE of the division. The EIC stated during exit conference that the EEs and SDEs concerned had been directed to contact the LAC for the recovery of the amount as early as possible.

➢ Rupees 1.50 crore was deposited (7 September 2011) by EE, PHE

[7] (i) Hansi: ₹ 80 lakh, (ii) Hisar-1: ₹ 753.89 lakh, (iii) Hisar 3: ₹ 441.90 lakh, (iv) Karnal 2: ₹ 433.66 lakh, (v) Kurukshetra : ₹ 463.37 lakh, (vi) Nuh : ₹ 747.44 lakh, (vii) Palwal : ₹ 180.90 lakh, (viii) Panipat : ₹ 483.61 lakh and (ix) Sonipat 3 : ₹ 408 lakh.

Division II, Rewari with the LAC Rewari for acquisition of land for STP and other disposal works. Land could not be acquired due to opposition from the owners of the land (Builders). Later on, the MC, Dharuhera handed over six acre of land free of cost. Neither the EE had asked the LAC to refund the deposited amount nor the LAC refunded the amount. As a result, the amount was lying unutilised with LAC for more than 22 months (August 2013). The EIC stated during exit conference that the matter had been taken up with Sub Divisional Officer (SDO) (Civil)-cum-LAC, Rewari for refund of the amount.

Implementation of schemes

The PHED implemented various sewerage schemes under four programmes. Two were State Plan Programmes (Urban Sewerage and Economic Stimulus Package) and two were centrally sponsored Plan Programmes (one on sharing basis from NCRPB loan and second externally aided project under YAP). These programmes are discussed below:

2.1.8. Urban Sewerage (State Plan)

Urban Sewerage (State Plan) Programme intends to improve sewerage facilities in various towns of the State. As against the budget provision of ₹ 613.13 crore, an expenditure of ₹ 592.13 crore was incurred during 2008-13 under the programme. The position of schemes sanctioned, completed and remaining incomplete is given in Table 2.1.3.

Table 2.1.3: Details of schemes, sanctioned, completed and remaining incomplete

Year	Opening balance	New schemes	Total number of schemes	Number of completed schemes	Balance incomplete schemes
2008-09	56	26	82	19	63
2009-10	63	32	95	33	62
2010-11	62	49	111	33	78
2011-12	78	68	146	32	114
2012-13	114	92	206	48	158
Total		**267**		**165**	

Source: Data provided by EIC, Panchkula

A total of 165 schemes out of 323[8] schemes were completed as of March 2013. ₹ 323.96 crore was spent on 158 incomplete on-going schemes as of March 2013. Out of these, 41 schemes were awaiting completion for the last three to eight years. Audit observed that time bound programme was not made to complete the schemes. The schemes were implemented in parts according the availability of funds. In the absence of time bound programme, delay, if any in implementation of schemes could not be ascertained in audit. During audit scrutiny, the following points were noticed in the execution and implementation of this programme:

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8 Opening balance : 56 + New Schemes : 267= 323 schemes

2.1.8.1 Lack of planning for discharge of wastewater

Method of treatment or disposal of sewage should be decided at the stage of preparing the project. Sewerage schemes were implemented in Rewari and Naraingarh towns without making proper arrangement for disposal of wastewater as discussed below:

STP situated at Nasiyaji Road, Rewari was constructed in 2009-10 without ensuring proper disposal of the treated sewage of Rewari town. The treated and untreated sewage is discharged through effluent channel into the irrigation escape channel from where it flows into open fields of the village. Presently, this wastewater is being discharged into an outlet channel entering the pond of the village Khalilpur.

The PS stated during exit conference that the problem was due to non-availability of any drain in the district and the matter had been taken up with the Government to solve the problem.

Similarly, a sewerage scheme for Naraingarh town including acquisition of 23.20 acre of land for STP was approved (September 2003) at a cost of ₹ 5.62 crore for completion within three years. For disposal of treated effluent, effluent channel from STP to existing *Nalah* was to be constructed. The work of laying of sewer line was started during 2005-06 and sewerage scheme was made functional in 2008-09 with temporary arrangements of disposal of wastewater without treatment. The work of construction of STP was held up for want of funds. Further, no arrangement had been made for disposal of treated wastewater. Total expenditure of ₹ 5.58 crore had been incurred (March 2013) on the scheme.

During exit conference, the EIC, however, intimated that the funds would be provided after the approval of revised estimate. The reply was not convincing as the work of laying sewer line was taken up without acquiring complete land for STP and disposal works which indicated lack of proper planning.

2.1.8.2. Sewerage scheme of Narnaul still incomplete

A scheme for “Extension of Sewer Line” in the remaining area of Narnaul town was approved (17 May 2006) at a cost ₹ 2.56 crore and the work was allotted (8 March 2007) to an agency at a cost of ₹ 93.01 lakh with a completion period of 8 months. The agency was paid ₹ 57.01 lakh (25 April 2008). As the agency failed to complete the work within the stipulated period, the work was withdrawn from the agency in October 2009. Further, a committee constituted (December 2009) pointed out (8 January 2010) that the work executed was substandard and against laying of 13367 metres line, only 5494 metres pipeline was laid, out of which only 2802 metres line was made functional. The contractor approached the Additional District Judge (FTC), Narnaul (October 2010). The case was decided on 13 March 2012 whereby the contractor agreed to execute the balance work on the same rates within eight months. The work had not been resumed so far (June 2013). No further action was taken by the division against the contractor for getting the work done. Thus, even after incurring a total expenditure of ₹ 2.14 crore upto March 2013, the scheme remained incomplete (July 2013).

During exit conference, the EIC intimated that the substandard work had been rectified by the agency and the work would be completed by March 2014. The fact, however, remained that the work had not been completed even after the lapse of time period agreed to by the contractor.

2.1.8.3 Allotment of work of STPs without ensuring the acquisition of land

Para 15.1.4 of PWD code provides that the land/site on which construction is to take place should be in the possession of the Department concerned or permission of the department in charge of land has been received. It was, however, observed that the works of construction of STPs were allotted to contractors without acquisition of land as detailed in Table 2.1.4.

Table 2.1.4: Details of work of construction of STPs allotted to contractors without acquisition of land

Sr. No.	Name of Division	Name of work	Date of work allotment	Position of acquisition of land
1.	PHE Division, Kurukshetra	Construction of STP for Shahbad Town	21 March 2013	Land award was not announced due to paucity of funds.
2.	PHE Division, Sohna	Construction of STP for Pataudi Town	25 June 2012	Land award was not announced by the LAC due to non-fixation of collector rates by the concerned committee.
3.	PHE Division, Karnal	Construction of STP for Tarauri Town	17 October 2012	Land was not acquired (May 2013).

The EIC stated during exit conference that instructions would be issued to ensure availability of land before allotment of work for STPs.

2.1.9. Economic Stimulus Package

The State Government approved (February 2009) a Stimulus Package for undertaking specific projects in 14[9] towns in various infrastructure sectors across the State during next two years and approved DPRs for ₹ 408.98 crore for Phase-I, which were to be completed by March 2014 but none of the schemes were completed despite incurring an expenditure of ₹ 314.04 crore as of March 2013. Further, the department had not set key milestones for completion of schemes in a time bound manner.

Para 15.1 and 15.2 of the PWD Code provides that no work should be commenced unless the necessary approvals of the authorities concerned like clearances from the Railways to cross the railway line was obtained.

[9] (i) Ambala City, (ii) Assandh, (iii) Bhiwani, (iv) Charkhi Dadri, (v) Ellenabad, (vi) Fatehabad, (vii) Hansi, (viii) Kaithal, (ix) Kalayat, (x) Mohindergarh, (xi) Narnaul, (xii) Sirsa, (xiii) Tohana and (xiv) Uchana.

The work for 5 MLD STP at Ambala City was allotted (6 August 2010) to a contractor at the cost of ₹ 4.50 crore. The contractor had completed the work in December 2012 at a cost of ₹ 4.16 crore but it could not be made functional as sanction for laying a pipe line under Railway track was not granted by the Railways (July 2013) despite depositing (September 2012) ₹ 71.21 lakh with Railways. Railways had not started the work so far (November 2013).

The EIC stated (September 2013) that the work would be started shortly by the Railways.

2.1.10. National Capital Region Planning Board Schemes/Projects

National Capital Region Planning Board (NCRPB) is assisting the State Government for improvement of the water supply and sewerage infrastructure in the towns adjoining the capital. 75 *per cent* of the project cost is to be provided by NCRPB in the shape of loan whereas 25 *per cent* is shared by the State. NCRPB approved 24 schemes for improvement in sewerage system out of which 13 schemes remained incomplete. An expenditure of ₹ 138.46 crore was incurred on these incomplete schemes. The following points were noticed in the implementation of schemes:

2.1.10.1 Lack of planning for disposal of wastewater

The Manual of Sewerage and Sewage Treatment issued (December 1993) by the Government of India, Ministry of Urban Development provided that while designing wastewater collection, treatment and disposal systems, planning was to generally begin from the final disposal point (tail end), going backwards to give an integrated and optimum design to suit the topography and the available hydraulic heads, supplemented by pumping, if essential.

➢ Work of laying of sewer lines of Zone-II in Palwal Town beyond the Railway line was completed in December 2009 at a cost of ₹ 1.81 crore. The sewage of zone II beyond the Railway line area was being disposed of into open fields as there was no natural *nallah*/drain, etc. at site. Work of STP and disposal of sewage had not been taken up as the case for acquisition of land was pending in the court (September 2013). The EIC stated during the exit conference that the work of STP would be started and completed after the possession of land. The fact remained that the work was started without acquisition of land.

➢ STP at Bawal Town was completed (April 2011) at a cost of ₹ 5.48 crore and sewerage system was laid but no component had been commissioned for the last more than two years. There was neither any outlet channel for disposal of treated effluent nor was any planning for acquisition of land for the same. Physical verification of the site conducted along with the officers of the Department also showed that the wastewater generated in the town was not reaching to the STP as the work of cleaning of sewer lines was not done (April 2013). Further, wastewater of the town had accumulated in the pond of the town due to non-connectivity of domestic wastewater with the main sewer. Thus, the STP remained non-functional and the entire expenditure of ₹ 5.48 crore incurred on the scheme remained unfruitful. During exit conference, the Principal Secretary advised the EIC to examine the issue and to submit a complete plan for proper disposal of sewage effluent.

➢ A Sewerage Scheme including 3 MLD STP for Kosli town in district Rewari was approved (4 June 2008) at an estimated cost of ₹ 8.70 crore. The Project was to be completed by 2009-10. This work including 3 MLD STP was allotted to five different agencies and an expenditure of ₹ 9.15 crore was incurred (31 March 2013). However, the scheme remained abandoned as the agency entrusted with the work of laying main sewer of the town left the work (December 2009) without completion. As a result, main sewer could not be connected with the STP. The department had not initiated penal action to rescind the work as per Clause-III of the contract agreement and to get the work completed. The scheme was formulated and executed without making any arrangement for disposal of treated wastewater from the STP. No proposal for acquisition of land for construction of disposal works was mooted by the Department.

Unutilized three MLD STP at Kosli due to incomplete main sewer line joining STP and non-availability of land for outlet disposal channel carrying treated domestic wastewater (2 April 2013)

The EIC intimated (September 2013) that the agency had been advised to complete the work immediately, otherwise further action would be taken as per contract agreement.

2.1.10.2 Incomplete sewerage scheme of Nuh

A sewerage scheme including construction of STP was sanctioned (4 August 2011) at an estimated cost of ₹ 10.27 crore and work of 3.6 MLD STP was allotted (27 December 2011) at a cost of ₹ 3.05 crore to an agency with a completion period of 12 months which was still under construction (June 2013). The work of laying pipes/sewer for inlet channel connecting the STP was not started though an expenditure of ₹ 7.66[10] crore was incurred on the scheme up to March 2013.

10 Including an expenditure of ₹ 80.61 lakh incurred upto March 2012 under old scheme.

Audit scrutiny further showed that there was an encroachment of approximately 650 metres besides presence of some trees on the alignment of the sewer lines to be laid for which permission of the PWD as well as Forest Department was required which had not yet been obtained (April 2013). Thus, the work could not be completed because of non-adherence of the provisions of PWD code which envisages obtaining clearances from Forest Department, Railways, etc. before commencement of work.

The EIC stated (September 2013) that the case for permission of Forest Department had been submitted in May 2013 and the encroachments would be got cleared simultaneously. The fact, however, remained that due to delay in taking up the matter with the Forest Department, the benefits of the scheme of providing hygienic and pollution free environment to the inhabitants of the town could not be derived.

2.1.10.3 Pumping out the untreated wastewater from STP

The work of 'design, supply, constructing, installation and commissioning of 7 MLD STP at Ganaur Town along with all works contingent thereto and O&M of 12 months during defects liability period and O&M for two years thereafter was awarded (12 January 2009) to an agency at a cost of ₹ 4.99 crore with a completion time of 12 months. The SE, PHE Circle, Sonipat had informed the EIC (22 February 2013) that the STP was completed on 30 September 2010. Audit scrutiny as well as physical verification of the site of the STP showed (May 2013) that the work was not completed as of May 2013 as filter media, laboratory, etc. were yet to be established. Audit further observed that the contractor had started pumping out wastewater from the main pumping station through the STP without its treatment since May 2012 showing the commissioning of the STP and starting of its operation and maintenance (O&M) period within defects liability period which was not allowable as the work was not completed. Thus, due to wrong reporting of completion date, the agency started operating the incomplete STP from May 2012 onwards without treating the domestic wastewater thereby defeating the basic purpose of the STP.

The PS directed the EIC during the exit conference to initiate appropriate action against the defaulting agency immediately.

2.1.10.4 Non-availing of interest rebate

The NCR Planning Board decided (24 May 2006) to allow maximum rebate at the rate of 1.5 *per cent* in rate of interest as performance linked incentive, conformity incentive, project cost adherence incentive, incentive for timely repayment of installments and quality assurance incentive. None of the 24 schemes implemented during 2007-13 at a cost of ₹ 232.14 crore were completed in time and executed as per prescribed norms for availing of interest rebate. As a result, the Government could not avail of the interest rebate (except 0.25 *per cent* for timely repayment of installments) amounting to ₹ 3.24 crore. The EIC while accepting non-availing of other rebates stated (September 2013) that the execution of project depends upon the timely clearances from the departments concerned.

2.1.11. Yamuna Action Plan

Government of India approved (28 August 2003) YAP Phase-II at an estimated cost of ₹ 62.50 crore in which 85 *per cent* cost of the Project was to be borne by the GOI and balance 15 *per cent* by the State. The project covered the laying of additional interception and diversion of sewers (I&D) and other related works in six towns of YAP-I, preparation of Feasibility Study Reports (FSRs) and DPRs for eight towns (six towns of YAP-I and two more towns i.e. Bahadurgarh and Rohtak). The project had since been completed (March 2013). Functioning of the STPs constructed under the YAP is discussed below:

2.1.11.1 Treatment of sewage

Under YAP, 18 STPs of 322 MLD capacity and 4 STPs of 171.3 MLD under other programmes were constructed in 12 YAP towns against which quantum of wastewater received was 419.79 MLD, whereas the level of wastewater in these towns was 734.53 MLD as of 2012-13. Thus, 314.74 MLD wastewater was going untreated into the Yamuna River as shown in Table 2.1.5.

Table 2.1.5: Details of generated, treated and untreated sewage in YAP towns

Sr. No.	Name of Town	No. of STPs	Present Level of Sewage Generated	Capacity created to treat	Sewage received in STP	Quantum of untreated sewage
1	Yamuna Nagar-Jagadhri	2	90.00	35.00	35.00	55.00
2	Karnal	2	60.00	48.00	48.00	12.00
3	Panipat	2	90.00	45.00	45.00	45.00
4	Sonipat	1	50.00	30.00	30.00	20.00
5	Gurgaon	3 (2 HUDA)	220.00	148.00	148.00	72.00
6	Faridabad	4 (1 MC)	200.00	160.00	94.00	106.00
7	Chhachharauli	1	3.00	1.00	1.00	2.00
8	Radaur	1	3.50	1.00	1.00	2.50
9	Indri	1	1.49	1.50	1.49	0
10	Gharaunda	1	2.95	3.00	2.95	0
11	Palwal	1	8.00	9.00	8.00	0
12	Gohana	3 (1 NCR)	5.59	8.80	5.35	0.24
Total		**22**	**734.53**	**490.30**	**419.79**	**314.74**

Source: Data supplied by the divisions concerned

Besides, out of 29.42 MLD wastewater of seven[11] other towns (not covered under YAP), 24.42 MLD untreated wastewater was going untreated into Yamuna system as the schemes implemented in these towns were delayed and incomplete.

Thus, as against the generation of 763.95[12] MLD sewage, 424.79[13] MLD sewage was being treated and balance 339.16[14] MLD sewage was going untreated into catchment areas of Yamuna River.

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11 (i) Ganaur, (ii) Hodal, (iii) Ladwa, (iv) Nilokheri, (v) Samalkha, (vi) Shahabad and (vii) Taraori

12 Sewage generated in YAP towns: 734.53 MLD + seven other towns (not covered under YAP): 29.42 MLD = 763.95 MLD

13 Sewage treated in YAP towns: 419.79 MLD + seven other towns (not covered under YAP): 5 MLD = 424.79 MLD

14 Untreated sewage in YAP towns: 314.74 MLD + seven other towns (not covered under YAP): 24.42 MLD = 339.16 MLD

The EIC replied (September 2013) that DPR for ₹ 191.81 crore for augmentation of sewerage schemes for Yamuna Nagar-Jagadhri towns including STPs had been submitted to GOI (August 2012) for approval. Further, construction works of two additional STPs of total 45 MLD capacity for Panipat town and one additional STP of 25 MLD capacity for Sonipat town were under execution. Thus, there is a need to expedite these works to save Yamuna River from pollution.

2.1.11.2 Under-utilization of STPs

In order to prevent pollution of the Yamuna river in Faridabad area, three STPs having capacity of 115 MLD (20 MLD STP-I at Badshahpur and 45 MLD STP-II at Mirjapur in 1998; 50 MLD STP-III, Pratapgarh in 1999) were constructed under YAP and 45 MLD STP-IV Badshahpur by Municipal Corporation, Faridabad (Total capacity: 160 MLD). However, out of total of 200 MLD wastewater generated in Faridabad town, only 94 MLD wastewater was being treated and the remaining 106 MLD of untreated wastewater after mixing with above treated wastewater flows into Yamuna River through Movai drain, Budhiya *nallaha*, Gounchi drain and Agra canal thereby polluting Yamuna.

Further, the EE intimated (16 April 2013) that the less discharge available was due to damaged feeding trunk sewer maintained by MC and HUDA; and disposal of the sewage of HUDA Sectors directly into Agra canal and other drains at many places which ultimately joins the Yamuna River.

The EIC intimated (September 2013) that the sewerage system in Faridabad was maintained by HUDA and MC. The reply was not in consonance of the facts as three out of four STPs at Faridabad were being maintained by the PHED and only one STP by MC.

2.1.11.3 Untreated wastewater and industrial effluent

The treated effluent from STPs was discharged into various drains, which also carried untreated domestic and industrial waste at Yamuna Nagar to river Yamuna and Western Jamuna Canal (WJC) increasing the pollution level of river Yamuna/WJC.

Even after construction of ditch drain in 2008 at a cost of ₹ 10.28 crore, treated wastewater of 25 MLD STP and untreated wastewater and industrial effluent of these twin towns (Jagadhri and Yamuna Nagar) was being discharged continuously into WJC over the spillways of the ditch drain. Four major industries[15] and many other small scale industries in these twin towns were also discharging their effluent into the WJC. During the exit conference, the PS directed the EIC to solve the problem immediately as it was polluting the drinking water canal.

[15] (i) Ballarpur Industries Limited, (ii) Bharat Starch Mill, (iii) Saraswati Sugar Mill and (iv) Haryana Distillery, Yamuna Nagar

Besides, the treated wastewater of 10 MLD STP was also being discharged directly into WJC, which was not permissible as the Bio-Chemical Oxygen Demand (BOD) level of treated wastewater of this STP ranged between 42 and 105 against the permissible limit of 3 mg/litre. The EIC stated during the exit conference that as there was no other drain where this wastewater could be disposed of, an estimate for construction of 'Tertiary Treatment Plant' was under preparation in order to bring down BOD level to permissible limit.

2.1.11.4 Non-functioning of flaring point for methane gas produced at STPs

The domestic wastewater treated in a up-flow anaerobic sludge blanket (UASB) reactor generated Methane gas (Bio-gas) through process, which was to be utilized for generating electricity for running the plant. Audit scrutiny showed that the dual fuel engines/electricity generating sets and gas holders/gas domes of eight[16] STPs constructed under YAP-I were lying non-functional since 2008-09 and the methane gas produced was not flared and was being directly pumped out into the surrounding atmosphere through the non-functional flaring point. The EIC stated (September 2013) that generation of electricity with methane gas using dual fuel engines was costlier than the rate of electricity and, therefore, the same was not being done. The reply was not convincing as the system should have been utilized to save the electricity and proper disposal of gas.

2.1.11.5 Functioning of STPs not ensured as per pollution control norms

Eighteen STPs were constructed under YAP to bring the Bio-Chemical Oxygen Demand (BOD) level of the treated wastewater below 30 before joining the Yamuna. The HSPCB analysed 232 samples out of which 229 samples were having BOD level between 42 and 140 against the prescribed norms of 30 BOD. The HSPCB served notices to the department between April 2008 and March 2013 to take remedial measures, but no action had been taken to ensure for maintenance of BOD level as per standards prescribed by the Board.

2.1.12. Asset management

2.1.12.1 Maintenance of records

Para 27.2 of the PWD Code provides that for effective management of assets, the department shall have complete and up to date records. The records shall be kept in hard as well as soft copy. Records relating to sewerage schemes such as inventory of land and other structures with appropriate reference to land records available; register of inlet stations, intermediate pumping stations, main pumping stations, STPs along with machinery installed therein , disposals/outfalls, other structures appurtenant thereto and other relevant records were required to be maintained.

Further, Department shall notify one office in every district to be custodian of all

[16] Faridabad: two STPs, Gurgaon: one STP, Panipat: two STPs, Sonipat: one STP and Yamuna Nagar: two STPs.

records pertaining to the district. The old records shall be re-arranged so that they are available district-wise. However, if a particular work pertains to two or more districts, the EIC may order the record to be kept in one particular district.

Audit scrutiny showed that such records were not found maintained in the test checked divisions. In the absence of this, the exact positions of assets created/acquired and their maintenance could not be assessed in audit.

The EIC stated during exit conference that the Divisional Officers had been asked to maintain these records in proper manner.

2.1.12.2 Mutation of land

The mutation of land acquired is required to be done in the records of Revenue Department in the office of the Tehsildar/Sub-Registrar concerned. A total of 121 acre 16 marla of land was acquired by nine[17] test-checked divisions during the period 2007-13, out of which mutation of 76 acre, one kanal and four marla of land had not been done in the name of the department (June 2013).

The EIC stated during exit conference that instructions had been issued to take action for the mutation of land done in the name of the Department.

2.1.13 Internal Controls and monitoring

Internal control provides reasonable assurance to the Management about the compliance of applicable rules and regulations. The internal control system in the department was inadequate for implementation of schemes, monitoring of execution of works, etc. as discussed in the foregoing paragraphs.

2.1.13.1 Internal Audit System

With a view to improve the overall quality of work and reduce errors/ irregularities, there should be an internal audit system in all Government departments. Audit observed that there was no internal audit system in place in the Department. One post of Chief Accounts Officer was sanctioned for conducting internal audit but the officer was carrying out the duties relating to accounts and establishment.

2.1.13.2 Monitoring of schemes

The EIC, as head of the department, was responsible for monitoring and evaluation of the implementation of programmes, schemes and other activities of the department. Monthly progress reports of each scheme/programme were submitted to the EIC by the EEs though SEs but these reports were not utilised as a management tool. Remedial action was not taken on these reports.

[17] (i) Hansi, (ii) Hisar-1, (iii) Hisar-3, (iv) Karnal, (v) Kurukshetra, (vi) Nuh, (vii) Palwal, (viii) Panipat and (ix) Sonipat No 3.

The EIC stated (September 2013) that periodical meetings with EEs, SEs and CEs were held to improve the overall quality of work. The reply was not convincing as the monitoring was not effective.

2.1.14. Conclusion

In 70 out of 154 towns (as per census 2011) of the State, only 598.34 MLD against the generation of 1188.53 MLD sewage was being treated in Sewerage Treatment Plants and balance 590.19 MLD sewage (50 *per cent*) was being left untreated. Remaining 84 towns and rural areas were not covered by any sewerage schemes. There were cases of expenditure in excess of estimates and inadequate monitoring over the advances made to land acquisition collectors. The sewerage schemes were implemented without making proper arrangement for disposal of wastewater. There were inordinate delays in construction of STPs. As against generation of 763.95 MLD sewage, 424.79 MLD sewage was being treated and balance 339.16 MLD sewage was going untreated in catchments of Yamuna River. Out of 232 samples of treated wastewater, BOD level of 229 samples was more than the prescribed standard. There was no internal audit system in Department. Further Monthly progress report of each scheme/programme was not utilised as a management tool.

2.1.15. Recommendations

The Government may consider:

- preparation of a comprehensive plan for covering all the towns in the State in a phased manner;
- avoiding expenditure in excess of estimates and ensure proper monitoring over the advances made to land acquisition collector;
- preparation of proper plans for making arrangement for disposal of wastewater;
- taking adequate steps to avoid delays and co-ordinating with other concerned departments/organizations to ensure that the intended benefits reach to the public; and
- strengthening the control over the functioning of STPs to keep the level of BOD within the prescribed limits.

Urban Local Bodies Department

2.2 Working of Urban Local Bodies

Towns and cities contribute substantially to economic development of the country. To have better co-ordination and control on the working of municipalities in the State, the Directorate of Urban Local Bodies Department was established in April 1982. The performance audit of the Department and municipalities brought out the following significant audit findings:

Municipalities were not preparing annual accounts in the shape of balance sheet since their inception, as a result true and fair view of the state of affairs could not be ascertained.

(Paragraph 2.2.7.1)

Ten municipalities had not recovered regularization charges amounting to ₹ 170.40 crore since December 2004 from house owners of regularized colonies.

(Paragraph 2.2.8.1)

Thirteen municipalities had not availed of the exemption from Service Tax amounting to ₹ 1.95 crore during July 2012 to March 2013 on the manpower outsourced for sanitation purpose.

(Paragraph 2.2.8.3)

An amount of ₹ 101.82 crore were outstanding on account of installation fee (₹ 0.73 crore), renewal fee of communication towers (₹ 1.58 crore), House Tax including fire tax (₹ 95.82 crore) and rent of municipal shops (₹ 3.69 crore).

(Paragraph 2.2.8.6)

Temporary advances amounting to ₹ 274.48 crore were pending against Government Departments, officers/officials, contractors, etc. in six municipalities as on 31 March 2013.

(Paragraph 2.2.8.6)

An expenditure of ₹ two crore incurred on construction of drains and laying cement concrete/interlocking tiles in streets of Ratia town had gone waste due to lack of planning and co-ordination. Municipal Corporation, Hisar had spent ₹ 5.06 crore on development works in unauthorised colonies.

(Paragraph 2.2.9.4)

2.2.1. Introduction

Towns and cities contribute substantially to the economic development of the country. These urban centres also play an important support role in the development of rural hinterland. To keep this economic transformation in line with needs and realities at the grass root level, it is necessary that the people and their representatives are fully involved in the planning and implementation of the programmes at local level. To have better co-ordination and control on the working of municipalities in the State, the Directorate of Urban Local Bodies Department was established in April 1982.

2.2.2. Organisational set-up

The Principal Secretary to the Government of Haryana (PS), Urban Local Bodies Department is the administrative head at the Government level. The Director, Urban Local Bodies Department is responsible for policy making, budgetary control, issuing directions, monitoring and overall control on the municipalities. At Present, there are 9 Municipal Corporations, 14 Municipal Councils and 53 Municipal Committees in the State which are headed by Municipal Commissioners, Executive officers and Secretaries respectively.

2.2.3. Audit objectives

The Audit objectives were to assess whether:

- planning for carrying out various activities was efficient and result oriented;
- financial management was efficient and effective;
- assessment, collection of taxes, rent, etc. was done efficiently;
- the implementation of schemes and execution of civil works was efficient and effective;
- manpower management was efficient; and
- internal control and monitoring mechanism was in place and working effectively.

2.2.4. Scope of audit and methodology

The performance audit of the working of the Urban Local Bodies (ULBs) was conducted covering the period from 2008-09 to 2012-13. Records of two Municipal Corporations, six Municipal Councils and 11 Municipal Committees falling in six out of 21 districts ***(Appendix 2.2)***, selected on probability proportionate to size without replacement method were test checked during March 2013 to August 2013. A total of 19 (25 *per cent)* out of 76 municipalities in the State were covered in test-check. Besides, records of Directorate of ULBs were also scrutinized.

The audit methodology adopted was to test check records with reference to the provisions of the Act, schemes guidelines, financial rules, Government orders and instructions.

An entry conference was held on 18 April 2013 with the PS, Urban Local Bodies Department (ULBs) in which important issues relating to the working of the Department, implementation of various schemes, audit objectives, audit criteria, sample selection, etc. were discussed. Audit findings were discussed in the exit conference held in November 2013 with the PS, ULBs. The deliberations of the exit conference have been considered and suitably incorporated in the Report.

2.2.5. Audit criteria

The sources of audit criteria were as under:

- The Haryana Municipal Act, 1973, Haryana Municipal Corporation Act, 1994 and bye-laws and rules framed thereunder.
- The Municipal Account Code, 1930.
- Municipal Solid Wastes (Management and Handling) Rules, 2000.

Audit findings

2.2.6. Planning

2.2.6.1 Non-preparation of perspective and annual plans

Planning is the main tool for development in the municipal area. It was, however, noticed that the selected municipalities had neither prepared annual plans nor perspective plan. Only annual budgets were prepared by the municipalities. As a result, the development works were not carried out in a systematic manner. In order to have better planning for carrying out development activities systematically, municipalities should prepare a long-term perspective plan.

The PS while admitting lack of preparation of perspective and annual plans during the exit conference assured that efforts would be made to prepare annual and perspective plans in future.

2.2.7. Financial management

2.2.7.1 Accounts of ULBs

The maintenance of accounts of Municipalities is governed by the Municipal Account Code 1930. The Draft Municipal Account Code 2012 consistent with accounting format and codification pattern suggested by National Municipal Accounts Manual was notified in March 2012 for seeking comments from municipalities but the same had not yet been finalised.

As per provision contained in Para III-7 of the Municipal Account code 1930, a financial statement containing receipt and payment account, income and expenditure account, balance sheet for every year in respect of Municipality is to be prepared. But it was observed in audit that annual accounts in the shape of balance sheet were not being prepared by the Municipalities since their inception. Only monthly accounts showing receipts and payments were being prepared by the municipalities. Due to non-preparation of balance sheets, true and fair view of the state of affairs of ULBs could not be ascertained.

2.2.7.2 Financial performance

Details of sources of funds and expenditure thereagainst by municipalities as reported by the Director, ULBs Department is given in Table 2.2.1.

Table 2.2.1: Details of sources of funds and expenditure

(₹ in crore)

Year	Opening Balance	Income from own sources	Grants received	Loans	Miscellaneous Income	Total funds Available	Expenditure	Closing Balance
2008-09	281.02	433.92	196.33	1.80	48.00	961.07	202.09	758.98
2009-10	758.98	376.46	240.40	1.05	212.00	1,588.89	517.68	1,071.21
2010-11	1,071.21	636.14	242.20	77.36	105.08	2,131.99	949.14	1,182.85
2011-12	1,182.85	890.85	537.28	42.97	147.34	2,801.29	1,244.18	1,557.11
2012-13	1,557.11	1,079.67	1,392.55	Nil	NA	4,029.33	2,235.28	1,794.05

Source: Data supplied by the Urban Local Bodies Department Haryana

The closing balances were increasing due to non-completion of development works by municipalities as discussed in succeeding paragraphs of the Report.

While accepting the facts, the PS stated during the exit conference that the unspent funds were lying with some of the municipalities due to extra source of income for some Urban Bodies on account of share of stamp duty and other receipts such as grants from State Finance Commission and Central Finance Commission, etc. It was further stated that funds of the municipalities were not inter-transferable.

2.2.7.3 Non-recovery of supervision charges

As per provisions contained in Section 57 of the Haryana Municipal Act, 1973, each municipality was to deposit an amount equal to one *per cent* of its annual income with the Director, ULBs for the purpose of advising, assisting and supervising the work of municipalities.

Supervision charges amounting to ₹ 13.80[18] crore were pending for recovery from

[18] 1996-97 to 2000-01: ₹ 2.06 crore, 2001-02 to 2005-06: ₹ 3.55 crore and 2006-07 to 2010-11: ₹ 8.19 crore

the municipalities. The Department had not taken concrete steps to recover the amount as the amounts were outstanding even for more than 17 years.

The PS while admitting the facts during Exit Conference stated that necessary instructions would be issued to all municipalities for depositing the outstanding supervision charges at the earliest without failure.

2.2.7.4 Diversion of grants

As per sanctions issued by the Government, funds received from Central Finance Commission (CFC), receipts from surcharge on VAT, and State Finance Commission (SFC) were to be utilized for development works. As such, payments of salaries, wages, etc. out of these funds were not to be made.

Audit, however, noticed that an amount of ₹ 7.69 crore was utilized towards payment of salary/wages of staff, DCRG, leave encashment, LTC, audit fee, etc. during 2010-13 out of these funds by seven municipalities **(*Appendix 2.3*)**.

The PS while admitting the facts during exit conference directed all the DCs to issue instructions to all municipalities under their jurisdiction not to divert funds without their prior permission.

2.2.7.5 Split-up of estimates

Split-up of estimates to avoid sanction of higher authorities is not permitted under the Municipal Account Code and the Haryana Municipal Works Rules.

Municipal Corporation, Hisar spent (2008-09) ₹ 6.39 crore (received under the Local Area Development Tax scheme) for construction of CC roads in the industrial area. It was noticed that instead of preparing a single detailed estimate for the work and getting technical sanction from the Director, ULBs, 229 different estimates were prepared by keeping the amount of each estimate below ₹ three lakh. The amount of each estimate was kept within the competence of Municipal Engineer to avoid sanction of higher authorities. Besides, the agencies executing the works of high value were deprived of participating in the tendering process.

The DC, Hisar while admitting the facts during the exit conference assured that such things would not be allowed to be repeated in future.

2.2.8. Assessment, demand and collection of taxes/fees

2.2.8.1 Non-recovery of regularisation charges

The State Government had regularised (December 2004) unauthorised colonies falling within the jurisdiction of Municipal Corporation/Council/Committee in the State. Under the provisions contained in Section 203A of the Haryana Municipal Act, 1973 and instructions issued while regularizing these unauthorised colonies, regularization charges at the rate ₹ 120 per sq. yard in the case of Municipal Council and at the rate of ₹ 80 per sq. yard in the case of Municipal Committee were to be recovered from the residents who had already constructed their houses in these colonies.

Test check of records of municipalities showed that recovery of regularisation charges had not been made from the concerned residents (March 2013). Demand notices had not been issued to the owners for making payment of these charges even after lapse of a period of more than eight years. Further, no action has been initiated to recover the amount as arrears of land revenue as provided under Section 98 of the Act. As a result of this, revenue of ₹ 170.40 crore remained unrecovered from house owners of regularized colonies since December 2004 in respect of 10 municipalities (***Appendix 2.4***). Records were not maintained in this regard by the remaining nine selected municipalities.

The PS while admitting the facts during the exit conference directed the DCs to issue notices to house owners for deposit of regularization charges, failing which action to disconnect their water supply, sewerage and electricity connections be initiated.

2.2.8.2 Non-recovery of Service Tax on rental receipts

As per Section 65(105) (zzzz) of the Finance Act 1994, the term taxable service for renting of immovable property service means any service provided or to be provided to any person, by any other person in relation to renting of immovable property for use in the course of furtherance of business or commerce. Immovable property includes renting, letting, leasing, licensing or other similar arrangements of immovable property. With the introduction of negative list from 1 July 2007, Section 66B prescribes levy of tax at the rate of 12 *per cent* on the value of services other than those specified in the negative list.

Scrutiny of records of municipalities revealed that shops/booths of the municipalities had been rented out on monthly rental basis. The municipalities were liable to pay Service Tax on the rent after collecting the same from tenants. It was noticed that six municipalities had neither collected Service Tax from tenants nor had deposited with the Central Excise, Custom and Service Tax Department as details given in Table 2.2.2.

Table 2.2.2: Details of Service Tax not collected

Name of Unit	Period	Amount of Rent collected (₹ in lakh)	Service Tax not collected (₹ in lakh)
Municipal Council, Fatehabad	June 2007 to September 2009	64.34	7.59
Municipal Corporation, Hisar	June 2007 to November 2008	108.46	13.41
Municipal Council, Hansi	June 2007 to March 2013	262.40	28.66
Municipal Council, Narnaul	April 2008 to March 2013	107.51	11.42
Municipal Committee, Kanina	April 2008 to March 2013	180.60	19.16
Municipal Committee, Bawal	April 2008 to March 2013	431.62	45.68
Total		**1,154.93**	**125.92**

Source: Data provided by municipalities

It was also noticed that Service Tax amounting to ₹ 8.68 lakh for the period from October 2009 to June 2011 and ₹ 17.17 lakh for the period June 2007 to March 2011 was deposited by the Municipal Council, Fatehabad and Ratia respectively out of their own income without recovering the same from the tenants. This had resulted in loss to the municipalities. Further, due to delay in deposit of Service Tax, interest amounting to ₹ 4.17 lakh had to be deposited (March 2013) by the Municipal Committee, Ratia.

The PS during the exit conference directed the DCs concerned to issue demand notices to tenants for deposit of Service Tax.

2.2.8.3 Non-availment of exemption from Service Tax

The Government of India, Ministry of Finance (Department of Revenue) vide their Notification dated 20 June 2012 exempted the services provided to a local authority by the manpower supplying agencies from Service Tax, where manpower was supplied to a municipality for sanitation purpose.

Scrutiny of records showed that despite exemption from service tax as stated above, 13 selected municipalities had not availed of exemption and paid Service Tax amounting to ₹ 1.95[19] crore during July 2012 to March 2013 to the manpower supplying agencies for supply of manpower for sanitation purposes resulting in avoidable financial burden on the municipalities.

While admitting the facts during the exit conference, the PS directed the DCs to issue instructions to all municipalities to avail exemption from Service Tax on the staff outsourced for sanitation.

2.2.8.4 Non-recovery of Labour Cess

As per Building and other Construction Workers Welfare Cess Act, 1996, Labour Cess at the rate of one *per cent* of the total cost of construction was to be levied. Haryana Government made (February 2007) Rules to levy Cess at the rate of one *per cent* in accordance with the requirements of the Cess Act. Cess Rules provide that the cess collected should be remitted to the Board within 30 days after deducting the collection charges. The Director, ULBs issued instructions (July 2007) that the municipalities should collect Labour Cess at the rate of one *per cent* of the estimated cost of construction before granting approval of Building Plans. These provisions were not applicable to individual residential houses whose total cost of construction did not exceed ₹ 10 lakh.

Test check of records showed that Labour Cess amounting to ₹ 26.84 lakh and ₹ 3.58 lakh was collected by the Municipal Council, Fatehabad and Municipal

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19 (i) Municipal Committee, Ateli: ₹ 1.99 lakh, (ii) Municipal Committee, Barwala: ₹ 2.25 lakh, (iii) Municipal Committee, Bawal: ₹ 2.15 lakh, (iv) Municipal Committee, Daruhera: ₹ 3.87 lakh, (v) Municipal Corporation, Faridabad: ₹ 103.04 lakh, (vi) Municipal Council, Hansi: ₹ 5.29 lakh, (vii) Municipal Corporation, Hisar: ₹ 35.47 lakh, (viii) Municipal Committee, Jhajjar: ₹ 10.57 lakh, (ix) Municipal Committee, Kanina: ₹ 2.23 lakh, (x) Municipal Council, Narnaul: ₹ 10.70 lakh, (xi) Municipal Committee, Narnaund: ₹ 1.80 lakh, (xii) Municipal Council, Rewari: ₹ 14.66 lakh and (xiii) Municipal Committee, Uklana: ₹ 0.72 lakh

Committee, Barwala respectively but had not been deposited (March 2013) with the Haryana Building and Other Construction Workers Welfare Board.

Further, while sanctioning Building Plans in test-checked cases, Cess amounting to ₹ 79.15 lakh in 15 municipalities (***Appendix 2.5***) was not recovered from the applicants. Non-deduction of Cess from the applicants before approval of their Building Plans by the MCs was a violation of the Cess Act, 1996 and had impacted the welfare measures of the construction workers.

The PS while admitting the facts stated during the exit conference that action would be taken for recovery of outstanding labour cess.

2.2.8.5 Non-recovery of Municipal Electricity Tax

As per provisions under Section 70 of the Haryana Municipal Act, 1973, a tax on the consumption of electricity at the rate five paise for every unit of electricity consumed by any person within the limits of the municipality is leviable. The tax is collected by the Uttar/Dakshin Haryana Bijli Vitran Nigams in the State. As per annual accounts maintained by the UHBVNL and DHBVNL for the year 2012-13, municipal tax amounting to ₹ 62.03 crore and ₹ 54.57 crore respectively was payable to the municipalities in the State.

Out of 19 test-checked municipalities, 11 municipalities had adjusted their municipal electricity tax against street lights bills. However, the following shortcomings were noticed in respect of remaining eight municipalities:

- Municipal Electricity Tax amounting to ₹ 451.23 lakh and ₹ 109.27 lakh was outstanding as on 31 March 2013 in respect of Municipal Corporation, Hisar and Municipal Corporation, Faridabad respectively.
- Municipal Council, Fatehabad and Narnaul as also Municipal Committee, Jhajjar, Beri, Kanina and Uklana had not maintained any record regarding Municipal Electricity Tax recoverable from electricity supplying companies.

The PS admitted the facts during the exit conference and directed the DCs to collect details of this tax recoverable in respect of each MC and maintain proper record to watch recovery/adjustment of the tax.

2.2.8.6 Non-recovery of old outstanding taxes, fees etc.

- As per provisions contained in the Haryana Municipal (Erection of Communication Towers) Bye-laws, 2009, an installation fee of ₹ 2 lakh, ₹ 1.5 lakh and ₹ 1 lakh in high potential zone, medium potential zone and low potential zone respectively and annual renewal fee at the rate of 10 *per cent* of the installation fee per communication tower was recoverable from the cellular mobile companies. However, scrutiny of records maintained in 13 selected municipalities disclosed that installation fees amounting to ₹ 0.73[20] crore in

[20] (i) Municipal Corporation, Hisar: ₹ 61.87 lakh, (ii) Municipal Committee, Narnaund: ₹ 2 lakh, (iii) Municipal Committee, Jhajjar: ₹ 4 lakh, (iv) Municipal Council, Narnaul: ₹ 0.15 lakh and (v) Municipal Committee, Bawal: ₹ 4.50 lakh

respect of five municipalities and annual renewal fees amounting to ₹ 1.58 crore in respect of all the 13 municipalities was outstanding against the mobile companies at the end of 2012-13 (***Appendix 2.6***). In respect of remaining six selected municipalities, it was noticed that list of mobile companies along with number of towers installed by them had not been prepared for raising demand against these cellular mobile companies. Inaction on the part of the municipalities resulted in loss of revenue to the municipalities.

The PS directed during the exit conference to DCs to prepare proper records of mobile towers installed by the companies and to recover outstanding amounts from mobile companies.

- House tax which is a main source of revenue for the municipality was in arrears and no effective steps were taken to recover the same. As per records maintained by 16 selected municipalities, House Tax including fire tax amounting to ₹ 95.82 crore (***Appendix 2.7***) was in arrears as of March 2013. In the case of Municipal Committees, Barwala and Uklana, details of outstanding house tax were not worked out by the Committees. Similarly, Rent of municipal shops amounting to ₹ 3.69 crore was outstanding in 16 selected municipalities (***Appendix 2.8***).

The PS directed the DCs during the exit conference to take appropriate action to recover the outstanding tax and rent from the persons concerned.

- As per Rule XVII 14 of Municipal Account Code 1930, advance of any sort should be adjusted regularly and promptly. It was the duty of the head of the Municipalities to ensure that accounts were rendered as early as possible and unspent balances refunded immediately after the finalization of occasions or purchases. Test-check of records of six selected municipalities showed that temporary advances amounting to ₹ 274.48[21] crore were pending against Government Departments, officers/officials, contractors, etc. as on 31 March 2013.

The Commissioner, Municipal Corporation, Faridabad stated during exit conference that accounts in all the cases were being reconciled and early action would be taken for recovery/adjustment of temporary advances.

2.2.9. Programme implementation and execution of development works

For implementation of various schemes such as Solid Waste Management, Jawahar Lal Nehru National Urban Renewal Mission (JNNURM) and Swarn Jayanti Sahari Rojgar Yojana (SJSRY) and execution of developmental works, the ULBs receive funds from GOI and the State Government in the form of

[21] (i) Municipal Corporation, Faridabad: ₹ 26445.82 lakh, (ii) Municipal Committee, Barwala: ₹ 1.15 lakh, (iii) Municipal Corporation, Hisar: ₹ 999.05 lakh, (iv) Municipal Committee, Uklana: ₹ 0.15 lakh, (v) Municipal Committee, Mohindergarh: ₹ 1.46 lakh and (vi) Municipal Council, Rewari: ₹ 0.10 lakh.

grants. GOI grants are also assigned under the recommendations of the Central Finance Commission. The State Government grants are also received through devolution of net proceeds of the total tax revenue on the recommendations of the State Finance Commission (SFC).

In 19 test checked municipalities, grants amounting to ₹ 973.50 crore was received during 2008-13, out of which ₹ 841.91 crore (***Appendix 2.9***) were spent on various development works. During test check, the following deficiencies were noticed in the programme implementation:

2.2.9.1 Non-allotment of EWS houses constructed under JNNURM

Under the Jawahar Lal Nehru National Urban Renewal Mission Project, Municipal Corporation, Faridabad was provided funds during 2007-11 for construction of EWS houses. The aim of the scheme was to resettle slum clusters, settled on Municipal Corporation/HUDA lands in Faridabad. The construction of 2,896 Economically Weaker Section (EWS) houses was completed (July 2012) at Faridabad (Dabua Colony and Bapu Nagar) at a cost of ₹ 59.26 crore. Scrutiny of records of Municipal Corporation, Faridabad showed that out of 2,896 houses, only 203 houses were allotted to the eligible beneficiaries. Balance 2,693 houses had not been yet allotted by the Corporation to the beneficiaries. It was further noticed that comprehensive final list of eligible beneficiaries had not been finalised by Municipal Corporation, Faridabad. This had resulted in blocking of funds of ₹ 55.10 crore spent on construction of these houses.

The Commissioner, Municipal Corporation, Faridabad while admitting the facts replied (December 2013) that the eligibility criterion of the beneficiaries has been a matter of dispute between the State Government and Central Government. Efforts would be made to allot these houses at the earliest to eligible beneficiaries on receipt of the policy from GOI.

2.2.9.2 Solid Waste Management

Waste represents a threat to the environment and human health if not handled or disposed of properly. Surface and ground water contamination takes place when waste reach water bodies. Residues from waste can change the water chemistry, which can affect ecosystem.

As per the provisions contained in the Municipal Solid Wastes (Management and Handling) (MSWMH) Rules, 2000, every municipal authority shall within the municipal area would be responsible for infrastructure development for collection, storage, segregation, transportation, processing and disposal of municipal solid waste.

Scrutiny of records of test-checked municipalities showed that the Government had released funds for Solid Waste Management from time to time but the municipalities had not completed the works. As a result of this, the objective of the schemes could not be achieved and also the funds remained unspent in seven municipalities as per details given in Table 2.2.3.

Table 2.2.3: Details of unspent funds by municipalities

Name of municipalities	Period of release of funds	Amount	Amount spent	Unspent amount	Remarks
		(₹ in lakh)			
Municipal Council, Fatehabad	2005-11	135.00	75.00	60.00	Work held up for want of clearance from State Pollution Control Board
Municipal Corporation, Hisar	2009-11	272.16	327.11[22]	-	Expenditure incurred on purchase of land and construction of boundary wall
Municipal Council, Hansi	2005-11	150.32	20.69	129.63	Expenditure incurred on purchase of land
Municipal Committee, Narnaund	2009-10	21.20	4.81	16.39	Land not yet purchased
Municipal Committee, Ratia	2005-11	76.67	-	76.67	Land not yet purchased
Municipal Committee, Jhajjar	2003-11	76.75	-	76.75	Land not yet purchased
Municipal Council, Bahadurgarh	2003-11	162.12	24.00	138.12	Expenditure incurred on purchase of land
Municipal Committee, Bawal	2005-07	52.00	-	52.00	Land not yet purchased
Municipal Council, Narnaul	2005-07	73.37	-	73.37	Land not yet purchased
Municipal Committee, Kanina	2009-11	22.51	-	22.51	Land not yet purchased
	Total	**1,042.10**	**451.61**	**645.44**	

Source: Data provided by municipalities

The provisions of the MSWMH Rules had not been implemented even 13 years after these came into force. Improper disposal system has led to adverse environmental consequences. The Council/Committee had not taken effective protective measures to prevent adverse effect on the health of the people.

While admitting the facts, the DCs assured during the exit conference that steps would be taken to construct the Solid Waste Treatment Plants after obtaining NOC from the Pollution Control Board. However, DC Rewari stated that land would have to be acquired for setting up of the Plant. The PS also assured that the land would be acquired to set up the solid waste treatment plant at Rewari.

2.2.9.3 Urban wage employment programme

Urban Wage Employment Programme is one of the components of the Swarn Jayanti Sahari Rojgar Yojna. This component was implemented by municipalities in the State. The programme seeks to provide wage employment to beneficiaries living Below Poverty Line (BPL) within the jurisdiction of ULBs by utilizing their labour for creation of socially and economically useful public assets such as community centres, drains, roads, parks, solid waste management, etc. Against the receipt of ₹ 3.71 crore, ₹ 3.43 crore was spent on the implementation of the scheme in selected municipalities.

Scrutiny of records of municipalities showed that five municipalities incurred an expenditure of ₹ 31.84[23] lakh under the programme. It was noticed that reference

22 Expenditure in excess of receipts was incurred out of interest earned on deposits and diversion of funds from other schemes.

23 (i) Municipal Committee, Bawal: ₹ 4.16 lakh, (ii) Municipal Committee, Jhajjar: ₹ 5.97 lakh, (iii) Municipal Committee, Narnaund: ₹ 3.02 lakh, (iv) Municipal Committee, Ratia: ₹ 7.62 lakh and (v) Municipal Council, Tohana: ₹ 11.07 lakh

of BPL was not made in the muster rolls, in the absence of which it could not be ensured as to whether wage employment was given to BPL families.

In case of Municipal Council, Tohana, signatures or thumb impressions of the recipients were not found on two muster rolls involving an amount of ₹ 0.92 lakh in respect of this scheme. Similarly, payment of ₹ 5.47 lakh was made on 25 muster rolls without obtaining signatures/thumb impression during 2011-12 in respect of other schemes. In the absence of this, genuineness of payment to labourers could not be ascertained in audit.

The PS while admitting the facts viewed the matter seriously during the exit conference. The DC, Fatehabad assured that the necessary investigation would be done and also assured that such things would not be repeated in future and the officials responsible for the lapse would be brought to book.

2.2.9.4 Wasteful expenditure

The State Government released grant amounting to ₹ four crore to Municipal Committee (MC), Ratia under the scheme 'Development of SC *Basties*' having scheduled caste (SC) population more than 50 *per cent* for ward numbers 4, 5, 12 and 14 (₹ one crore per ward) during 2008-10. Further, as per the instructions issued by the State Government (ULBs Department), from time to time and recently reiterated in April 2013, development works were not to be executed in unapproved colonies.

The grant of ₹ two crore meant for ward numbers 5 and 12 was utilized during August 2008 to July 2011 by the MC for construction of drains and laying Cement Concrete (CC)/interlocking tiles in streets. Scrutiny of the records of the MC disclosed that the Public Health Engineering Division (PHED), Fatehabad started laying sewer lines in these wards and the streets were badly damaged during March 2012 and CC/interlocking tiles were uprooted as shown in the photographs given:

Interlocking Paver Block street damaged by PHED for laying of Sewer in ward 5 and 12, Ratia (10 April 2013)

Thus, due to lack of planning and co-ordination between the Municipal Committee, Ratia and PHED, Fatehabad, an expenditure of ₹ two crore incurred on the construction of drains and streets in ward numbers 5 and 12 was rendered wasteful.

Further, scrutiny of records disclosed that ward no. 4, 5, 12 and 14 were not part of any of the colony approved by the State Government. An expenditure of ₹ 3 crore was incurred on development works in these wards.

Similarly, Municipal Corporation, Hisar had spent ₹ 5.06 crore on 15 test-checked development works in Azad Nagar and adjoining colonies during 2010-13, which were not part of any of the colonies approved by the State Government. Therefore, the expenditure had been incurred in unauthorised colonies in violation of State Government's instructions.

While accepting the facts, the PS instructed the DCs that there should be coordination between the municipalities and other service departments before taking development works. It was also instructed that there should be provisions of space for providing of services such as water supply, sewerage, etc. in future at the time of construction of paver street/CC street so that damages due to providing of services could be minimized. As regards incurring the expenditure in unauthorised colonies, the PS directed the DCs not to spend any funds on development activities in unauthorized colonies in future.

2.2.9.5 Payment made without execution of works

Municipal Council, Bahadurgarh made the following payments to contractors on account of construction of Cement Concrete (CC) streets in Preet Vihar (Ward No. 13), Bahadurgarh under Central Finance Commission and Special Development Works Scheme.

Sr. No.	Name of Work	Month of completion	Amount paid (₹ in lakh)
1.	Gali Chandervatika road to H/o Vidhya, Brijlal and Subash	October 2008	16.55
2.	Construction of street and drain of Gali Maya Ram wali	October 2009	29.77
3.	Gali Satbirwali	July 2011	21.28
4.	Manish, Sanjay, Ompraksh Rajkumar, etc. waligali	November 2009	22.03
5.	Gali Krishan and Gulabwali	November 2010	20.33
Total			**109.96**

A committee was constituted by Deputy Commissioner, Jhajjar for verification of above works. The Executive Engineer, Provincial Division, Public Works Department (Building and Roads), Bahadurgarh, submitted the Report of the Committee in December 2012 and brought out that these works were either not executed at all or executed partly at site. Further, physical verification of these works by audit conducted in June 2013 also disclosed that the status of these works was still the same as reported by the Committee constituted by the Deputy Commissioner.

	
Street of Gali Chandervatika road to H/o Vidhya (14 June 2013)	**Street and drain of Gali Maya Ram wali (14 June 2013)**

It was further observed that no action had been initiated against the defaulters despite pointed out by the Committee in December 2012.

The PS viewed the matter seriously during the exit conference. The DC, Jhajjar stated that an inquiry was being conducted by the State Vigilance Department and that further action would be taken on receipt of inquiry report.

2.2.9.6 Unfruitful expenditure

Hon'ble Punjab and Haryana High Court had directed (July 2001) the State Government that each Municipal Council/Committee should fix a place for slaughtering animals within or outside their municipal limits. In compliance of Hon'ble Court's directions the State Government released funds to municipalities for construction of slaughter houses and meat shops.

Scrutiny of records of test checked municipalities showed that five municipalities had constructed slaughter houses (between 2002-03 and 2012-13) along with meat markets at a cost of ₹ 58.80[24] lakh. The slaughtering and the business of sale of meat had not been started in the newly constructed shops. As a result of which entire expenditure of ₹ 58.80 lakh had been rendered unfruitful. In addition, municipalities were suffering recurring loss on account of non-receipt of rent from these shops.

While admitting the facts during the exit conference, the PS directed the DCs concerned to make serious efforts for making the slaughter houses functional at the earliest.

2.2.10. Human resource management

2.2.10.1 Shortage of staff

As of March 2013, as against the sanctioned posts of 4,235 in 19 test-checked municipalities 2,662 posts were filled up and 1,573 posts remained vacant (37 *per*

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24 Municipal Council (i) Fatehabad: ₹ 17.81 lakh constructed in 2012-13, (ii) Hansi: ₹ 7.13 lakh constructed in 2002-03, (iii) Tohana: ₹ 7.06 lakh constructed in 2004-05 and Municipal Committee (vi) Narnaund: ₹ 6.26 lakh constructed in 2003-04, (v) Ratia: ₹ 20.54 lakh constructed in 2007-08.

cent) as per details given in Table 2.2.4. This position is exclusive of sanitation staff.

Table 2.2.4: Vacancy position of the municipalities

Sr. No.	Name of Municipalities	Sanctioned posts	Filled in	Vacant	Percentage of vacancy
Corporations					
1	Faridabad	3,263	1,995	1,268	39
2	Hisar	256	198	58	23
Councils					
1	Bahadurgarh	70	55	15	21
2	Fatehabad	59	41	18	31
3	Hansi	66	45	21	32
4	Narnaul	65	34	31	48
5	Rewari	78	49	29	37
6	Tohana	42	26	16	38
Committees					
1	Ateli	12	2	10	83
2	Barwala	82	59	23	28
3	Bawal	40	20	20	50
4	Beri	11	4	7	64
5	Dharuhera	11	3	8	73
6	Jhajjar	25	19	6	24
7	Kanina	13	3	10	77
8	Mohindergarh	82	66	16	20
9	Narnaund	11	4	7	64
10	Ratia	14	11	3	21
11	Uklana	35	28	7	20
Total		**4,235**	**2,662**	**1,573**	**37**

Source: Data supplied by the municipalities

There was acute shortage of staff in Municipal Corporation, Faridabad, Municipal Committees, Ateli, Beri, Dharuhera and Narnaund.

While accepting the fact during the exit conference, the PS stated that demand of class III and IV staff for deploying in all municipalities has been forwarded to the Haryana Staff Selection Commission and the requisite staff would be provided in due course of time after completion of selection process.

2.2.10.2 Payment of wages

(i) The services of sanitation staff was outsourced from the private service providers by the municipalities in the State. As per terms and conditions of the contract with the service providers, they were required to open the EPF accounts of employees and were required to deposit the amount of EPF with the Employees Provident Fund Organisation (EPFO). Further, the service provider was required to provide a copy of the challans to the municipalities in support of having the amount deposited with the EPFO.

The proofs of deposit of EPF and ESI showing name and EPF account number of each employee were not being collected by the municipalities from the contractors and only photocopies of challans were being submitted by the contractors. In the absence of such details, it could not be ensured whether the EPF, ESI, etc. of each employee were actually deposited or not in their accounts.

Detailed scrutiny of Electronic Challan-cum-Returns (ECRs) in respect of Municipal Corporation, Faridabad for the period 2012-13 showed the following deficiencies:

- M/s Vishal Protection Force had drawn ₹ 46.33 lakh as EPF (Employer's Share) of staff employed during June 2012 to March 2013 from the Corporation but it had deposited ₹ 41.48 lakh to the EPFO. Thus, the difference of ₹ 4.85 lakh had been retained by the agency.

- Similarly, M/S International Academy of Environment Sanitation and Public Health had retained EPF amounting to ₹ 3.61 lakh for the period April 2012 to March 2013.

- ECRs, of these agencies prior to the period June 2012 and ECRs in respect of other agencies engaged by Municipal Corporation, in proof of deposit of EPF to the EPFO were not available for the audit scrutiny.

Since detailed schedules/ECRs in the case of other selected municipalities were not available for audit scrutiny, chances of similar irregularities in other cases cannot be ruled out.

While admitting the facts during the exit conference, the PS viewed the matter seriously and desired that verification of deposit of EPF be done by each municipality. The PS also directed to DCs to take strict action against the defaulters.

(ii) As per GOI (Ministry of Labour and Employment) Notification dated 8 January 2011, all Municipal Councils and Corporations employing 20 or more persons in their establishments are covered under the Employees Provident Funds and Miscellaneous Provisions Act, 1952.

Municipal Corporation, Faridabad had employed more than 20 daily wage employees on its roll but their EPF was neither recovered from the employees nor deposited with the EPFO by the Corporation in terms of above said notification. The EPFO recovered (December 2012) from Municipal Corporation's bank account ₹ 18.82 lakh on account of damages besides EPF of ₹ 168.28 lakh (Employer Share: ₹ 89.43 lakh and Employees Share: ₹ 78.85 lakh) and interest amounting to ₹ 15.75 lakh for the period January to November 2011.

While admitting the fact during the exit conference, the PS directed the Commissioner, Municipal Corporation, Faridabad to avoid such lapses in future.

2.2.11 Internal control and monitoring

2.2.11.1 Internal control

Internal control provides reasonable assurance to the Management about the compliance of applicable rules and regulations. The internal control system in the

Municipalities was inadequate with regard to financial management, assessment, demand and collection of taxes/fees, implementation of programmes, execution of works, etc. as discussed in foregoing paragraphs. Further, there was inadequate control over the sanction of building plans and unauthorised construction in Municipal areas as discussed below:

- As per the provisions of the Haryana Municipal Corporation Act, 1994 and Rules/Bye-laws framed thereunder, no building can be erected unless its Building Plan is approved by the Corporation. Where the erection of any building or execution of any work has been commenced contrary to the sanction, the Commissioner may in addition to any other action that may be taken under this Act by order stop the same. The Municipal Corporation, Hisar approved 1937 Building Plans during 2008-12 but not even a single applicant had applied for the Completion Certificate. In 77 cases, notices were issued to the applicants who were involved in construction of buildings in-violation of approved building plans. The unauthorized constructions were not stopped before completion as of April 2013.

During the exit conference, the PS stated that it was due to failure of local authorities and lack of adequate enforcement machinery and directed DCs concerned to take strict action against the persons involved in unauthorised constructions.

- The Municipal Council is competent to sanction Building Plans in the areas of Lal Dora, colonies carved out before introduction of the Haryana Development and Regulation of Urban Areas Act, 1975 and the colonies approved by the State Government. The Council may sanction or refuse Building Plans. However, if the Council neglects or omits within 60 days of the receipt of a valid notice of such person’s intention to erect a building, such erection be deemed to have been sanctioned.

Eight building plans submitted by the applicants were approved by the five[25] municipalities despite the fact that the plots of the applicants were not situated in the approved colonies. Further, three applications for approval of building plan for unapproved colony received in May 2012 had neither been approved nor refused by Municipal Council, Tohana as of March 2013. Their building plans would be deemed to be approved as the time limit of 60 days had already expired.

Similarly, in the case of Municipal Council, Bahadurgarh, in 105 cases building plans submitted during 2010-12 were approved by the Council despite the fact that the plots of the applicants were not located in the approved colonies.

During the exit conference, the PS directed the DCs concerned to take strict action against the officers concerned who had sanctioned the building plans in unapproved colonies.

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[25] (i) Municipal Corporation, Hisar, (ii) Municipal Council, Tohana, (iii) Hansi, (iv) Municipal Committee, Narnaund and (v) Jhajjar.

2.2.11.2 Non-maintenance/improper maintenance of various records

Maintenance of proper records is very important for proper functioning of any organization. It reduces errors and irregularities and also helps to improve the overall quality of the work. Test check of records of selected municipalities showed that the following basic records were either not maintained or were incomplete:

Sr. No.	Name of Records	Rules of the Municipal Account Code under which required	Present Status
1.	Grants Register	III.8	Incomplete
2.	Classified Abstract	III.2	Incomplete
3.	Monthly Account	III.6	Not Maintained
4.	Annual Account	III.7	Not Maintained
5.	Register of building Application	III.10	Incomplete
6.	Demand and Collection Register (Tower)	XI.15	Incomplete
7.	Tax Demand and Collection Register	VII.7	Incomplete
8.	Rent Demand and Collection Register	XI.3	Incomplete
9.	Assessment Register	VI.2	Incomplete

The PS directed the DCs during the exit conference to issue instructions to municipalities under their jurisdiction for proper maintenance of prescribed records.

2.2.11.3 Non-responsiveness to Local Audit

Audit of municipalities is conducted by the audit parties of Director, Local Audit, Haryana. In case of Municipal Corporations and Municipal Councils, pre-audit is conducted while in case of Municipal Committees post-audit is conducted. During scrutiny of records of Director, Local Audit, it was observed that 17,425 audit paragraphs of money value of ₹ 585.13 crore were outstanding as of July 2013 (***Appendix 2.10***). It was further observed that paragraphs pertaining to the year 1954-55 onwards were still outstanding. Besides, there were paragraphs of serious nature such as cases of embezzlement/misappropriations of funds, short/non-recovery of revenue, excess/irregular/avoidable expenditure, etc. This position indicated non-responsiveness of municipalities for taking remedial action on the objections raised by Director, Local Audit.

The PS stated during the exit conference that a committee had been constituted to examine and disposal of pending paragraphs.

2.2.11.4 Monitoring

Monitoring provide the means for managers, planners and decision makers to track the progress of development and remain alert to detect deviations for early corrective action, determine effectiveness and efficiency of development activities and learn lessons for future development planning. The PS of the Department was responsible to oversee the activities of the municipalities to ensure their proper working. The Director as head of the Department was also responsible for monitoring the implementation of programmes, schemes and other activities of the municipalities. Monthly progress reports to monitor the activities of the municipalities had not been prescribed by the Department except submission of expenditure statements. There was no centralised database of schemes and programmes with the result that huge funds remained unspent with the municipalities as such there was lack of monitoring.

During exit conference, the PS directed the Director, ULBs and all DCs to evolve a mechanism of monitoring and better working of all municipalities so that such lapses as pointed out by Audit do not recur in future.

2.2.12. Conclusion

Municipalities had neither prepared perspective plan nor annual plans for carrying out their activities effectively. Draft Municipal Accounts Code 2012 consistent with accounting format and codification pattern suggested by National Municipal Accounts Manual had not yet been finalized. Further, Annual Accounts in the shape of balance sheet were not being prepared by Municipalities. The municipalities diverted funds of development schemes towards payment of wages and salaries, etc. due to non-generation of revenue by them. Assessment, demand and collection of taxes, fee and other dues was not efficient as lot of dues remained outstanding. Execution of works was also deficient as there were cases of irregular expenditure on development works in unauthorised colonies, making of payments without execution of works, splitting of works to avoid sanction of higher authorities, etc. Solid waste management plants were not made functional in ten test-checked municipalities. Municipalities were not ensuring deposit of EPF, ESI, etc. of the outsourced staff. Inadequate control over unauthorised constructions in municipal areas and sanction of building plans of unapproved colonies were also noticed. The municipalities were non responsive towards taking remedial action on the audit objections.

2.2.13. Recommendations

The Government may consider:

- preparation of perspective plans and annual plans for their development activities of municipalities;
- finalization of Municipal Accounts Code and preparation of balance sheet by Municipalities;
- strengthening the system of recovery of taxes, rent, fee, etc. to make the municipalities self sustainable;
- strengthening vigilance system over the execution of works ;
- controlling unauthorised constructions and development of unauthorised colonies.

The matter was referred to the Principal Secretary to Government of Haryana (PS), Urban Local Bodies Department in September 2013, reply had not been received. However, the audit findings were discussed with PS, Urban Local Bodies Department during the exit conference held in November 2013.

Education Department
(Haryana School Shiksha Pariyojna Parishad)

2.3 Sarva Shiksha Abhiyan

Sarva Shiksha Abhiyan (SSA) was launched in Haryana during 2001-02 to provide elementary education to all children of age group of six to fourteen years with active participation of the community. The funds are directly released to Haryana School Shiksha Pariyojna Parishad by GOI for implementation of the scheme.

Some of the significant audit findings are enumerated below:

Learning Enhancement Programme was not planned properly as only ₹ 1.23 crore out of budgeted amount of ₹ 15.12 crore was spent during 2008-13.

(Paragraph 2.3.6.3)

There were substantial savings of ₹ 1501.59 crore (34.86 *per cent*) during 2008-13 against the budget approved by Government of India.

(Paragraph 2.3.7.1)

The enrollment of students had decreased from 14.55 lakh to 13.44 lakh in primary schools during 2008-13. The number of out of school children was 1.25 lakh against the target to bring it to zero.

(Paragraphs 2.3.8.1 and 2.3.8.2)

There were substantial delays in providing books and uniforms to students. Further in the absence of risk and cost clause in the contract agreement for supply of books, the department had to incur extra expenditure of ₹ 5.90 crore.

(Paragraphs 2.3.8.5 and 2.3.8.6)

A total of 32,504 (80.31 *per cent*) out of 40,472 works were completed during 2008-13. Further, 468 civil works pertaining to the period 2003-07 remained incomplete.

(Paragraph 2.3.9)

There were 54,063 teachers against 72,446 posts in primary and upper primary schools indicating shortage of 18,383 (25 *per cent*) teachers. Further, there were excess teachers in some districts and shortage in other districts.

(Paragraph 2.3.10.1)

2.3.1. Introduction

Sarva Shiksha Abhiyan (SSA) is the comprehensive and integrated flagship programme of the Government of India (GOI) launched in 2001-02 to attain Universal Elementary Education in the country in a mission mode in partnership with the State Governments and Local Self Governments. It was launched in the State from April 2002.

The scheme was funded between GOI and State Government during the Eleventh Five Year Plan in the ratio of 65:35 for 2008-09, 60:40 for 2009-10; 65:35 for 2010-11 and onwards. The funds are directly released to Haryana School Shiksha Pariyojna Parishad by GOI.

2.3.2. Organisational set-up

The State Project Implementation Unit i.e. Haryana Prathmik Shiksha Pariyojna Parishad, renamed as Haryana School Shiksha Pariyojna Parishad (the Parishad) with effect from 13 July 2011, was established in the year 2001 under the Registration of Societies Act, 1860. The Parishad is headed by the State Project Director (SPD).

2.3.3. Audit objectives

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

- plans were prepared by the Parishad and District Project Implementation Units (DPIUs) to achieve the objectives;
- financial management was efficient and effective;
- the implementation of various components of the project was as per project guidelines and the objectives of the project were realised;
- research studies were undertaken in accordance with the norms of the SSA Manual; and
- a proper monitoring system was in place and effective.

2.3.4. Audit scope and methodology

Performance audit was conducted from October 2012 to August 2013 covering the Office of State Project Director, Haryana School Shiksha Pariyojna Parishad and seven[26] District Project Coordinator's (DPC) offices for the period 2008-13. The selection of districts was done by adopting Probability Proportional to Size without Replacement (PPSWOR) method. All Block Resource Coordinators (BRCs) in the selected districts have been covered besides conducting joint physical verification of 170 schools alongwith departmental representatives. The scheme was reviewed earlier also and incorporated in the Report of Comptroller and Auditor General of India for the year ended 31 March 2006 (Civil),

[26] (i) Bhiwani, (ii) Kaithal, (iii) Jhajjar, (iv) Mewat, (v) Panchkula, (vi) Sirsa and (vii) Yamuna Nagar

Government of Haryana and was discussed by Public Accounts Committee in June and October 2008.

Audit objectives, criteria and scope of audit were discussed (10 April 2013) in an entry conference with the Principal Secretary to Government of Haryana (PS), School Education Department. Audit findings were discussed in the exit conference held in January 2014 with the PS, School Education Department. The replies of the Department and deliberations of the 'Exit Conference' have been suitably incorporated in the report.

2.3.5. Audit criteria

The audit criteria for assessing the performance of the project were as under:

- Manual on Financial Management and Procurement (MFMP) issued by the Ministry of Human Resource Development (MHRD), GOI.
- Agenda/minutes of meetings of Executive Committee.
- Approved budgets by Project Approval Board (PAB), MHRD.
- Notifications and instructions issued by the Parishad for implementation of project and execution of works.

Audit findings

2.3.6. Planning

SSA provides an opportunity to all the districts to formulate their vision of quality elementary education and develop District Elementary Education Plans (DEEP) suited to their needs and local environment and develop capacity to implement the plans. It envisages a bottom-up approach of planning. The planning process has to be participatory in nature, as planning not only creates a sense of ownership among the stakeholders but also creates awareness and helps in the capacity building of personnel at various levels.

Audit observed that district plans were not prepared properly after conducting proper survey or obtaining data from village level. Further, individualised education plans for each Child with Special Needs were not made by any of the DPCs test-checked. As a result, a number of interventions like 'Learning Enhancement Programme', 'Deprived Children in Urban Areas', 'Minority Community Students', etc. could not be implemented properly.

The Parishad stated during the exit conference that planning was done at the district level and then compiled for preparation of State Plan. It was also stated that the planning in the district was not upto the mark as there were discrepancies in data collection and data matching for various interventions and was also assured that the district planning would be improved in future.

2.3.6.1. Non-formulation of plan for deprived children in urban areas

As per paragraphs 38.13 and 38.15 of the Manual on Financial Management and Procurement (MFMP), specific interventions for urban deprived children with focus mainly on creating facilities for street children, migrant children, rag pickers to enable them to join elementary education were required to be planned. It was noticed that action plan for specific interventions was not prepared in any of the districts test-checked.

The Parishad stated (January 2014) that explanations had been sought from districts concerned for not planning the intervention for deprived children in urban areas.

2.3.6.2. Non-preparation of interventions for minority community students

As per paragraph 38.12 of MFMP, each district is required to formulate interventions for the betterment of students of minority community to target their enhanced enrollment, retention and completion of elementary education.

It was observed that need based planning was not done for minority community students by the test-checked DPCs at the habitation level which shows lack of effective implementation of SSA.

The Parishad stated (January 2014) that directions would be issued to the districts for making proper plans for betterment of this disadvantaged group.

2.3.6.3. Learning Enhancement Programmes

District Project Coordinators are required to execute specific learning enhancement programmes with priority to enhance learning levels in language, mathematics and science.

As against budget allocation of ₹ 15.12 crore, an expenditure of ₹ 1.23 crore was incurred in test-checked districts during 2008-13. Audit observed that proper planning for implementation of various components of the programme was not made by any of the test-checked DPCs.

The Parishad stated (January 2014) that initially it took some time for taking up this new activity and the expenditure had been increasing with the passage of time. The reply was not convincing as the expenditure was still very low in test-checked districts.

2.3.7. Financial management

2.3.7.1 Receipts and expenditure of Parishad

Receipts and expenditure during the period under coverage of performance audit was as given in Table 2.3.1.

Table 2.3.1: Statement showing the details of funds received and utilised

(₹ in crore)

Year	Budget approved by PAB	Opening balance	Fund received		Misc. Income	Interest	Total available	Utilized	Closing balance
			GOI	State					
2008-09	425.50	103.77	205.47	118.81	5.78	2.15	435.98	305.89	130.09
2009-10	598.01	130.09	276.00	178.00	5.63	0.26	589.98	457.57	132.41
2010-11	829.80	132.41	327.86	315.50[27]	8.00	0.18	783.95	624.54	159.41
2011-12	1197.67	159.41	404.61	273.00[28]	9.96	6.14	853.12	696.97	156.15
2012-13	1256.25	156.15	338.10	304.06[29]	1.13	8.22	807.66	720.67	86.99
Total	**4307.23**		**1552.04**	**1189.37**	**30.50**	**16.95**		**2805.64**	

Source: Approved budget by PAB and Financial statement of the Parishad

As against the budget provision of ₹ 4307.23 crore, actual utilisation was ₹ 2805.64 crore (65.14 *per cent*) showing saving of ₹ 1501.59 crore (34.86 *per cent*) during 2008-13. The components such as Learning Enhancement Programme, National Programme for Education of Girls at Elementary Level (NPEGEL), Urban Deprived Children, Minority Students, imparting of teachers trainings, procurement of teaching learning equipments (Maps), etc. were not implemented as envisaged in the scheme and annual plans.

The Parishad stated (January 2014) that the expenditure was incurred as per availability of funds. It was also stated that due to non-release of full budget by the GOI, all the components could not be implemented. The fact, however, remained that GOI did not release the funds as per approved budget.

2.3.7.2 Maintenance of bank accounts

As per paragraph 72 of MFMP, grants received from GOI/State Government are required to be credited in the bank accounts. As per instructions of GOI, only one bank account is to be opened for each scheme. In exceptional cases, more than one bank account can be operated with the prior approval of the State Executive Committee. The Parishad had operated as many as 33 bank accounts. Bank Reconciliation statements were not prepared by the Parishad, as a result of which an embezzlement occurred in the Parishad as discussed below:

An employee working as an Accounts Clerk had stolen four blank cheques and transferred an amount of ₹ 31.26 lakh in his personal account by forging the signatures of authorized signatories as per details given below:

Sr. No.	Bank	Account No.	Cheque No.	Amount (In ₹)	Date of drawls
1.	Union Bank of India, Sector-17, Chandigarh	47528	534150	1,28,413	24 August 2008
2.	Punjab National Bank, Sector-22, Chandigarh	009500 0100617034	456526	6,26,986	13 October 2008
3.			456527	22,32,218	31 December 2008
4.	Punjab National Bank, Sector-22, Chandigarh	0095000 011564926	80303	1,37,956	1 May 2009
	Total			**31,25,573**	

27 Including ₹ 40 crore of award received from 13th Finance Commission

28 Including ₹ 43 crore of award received from 13th Finance Commission

29 Including ₹ 46 crore of award received from 13th Finance Commission

An amount of ₹ 8.73 lakh had been recovered between November 2009 and March 2010. An FIR was lodged on 16 February 2010 and the case was pending in the Court (August 2013). Had the cheque books been kept in the personal custody of the cheque drawing officer, the embezzlement could have been avoided. Further, had the regular bank reconciliation been done, the embezzlement could have been detected earlier i.e. in the Month of September 2008 itself and subsequent embezzlements could have been avoided.

The Parishad stated (January 2014) that all the bank accounts have since been closed and five new bank accounts have been opened for implementation of the scheme. As regards embezzlement, it was stated that it occurred due to heavy work load and operation of many bank accounts which were not reconciled regularly. This reflected poor control environment relating to financial management.

Further, there was a difference of ₹ 9,80,269 between the closing balance of the year 2006-07 and opening balance of the year 2007-08 in respect of Bank Account (3093020147528) of Union Bank of India. The Parishad stated (January 2014) that the bank reconciliation was in process and difference of ₹ 2.35 lakh was yet to be reconciled.

2.3.7.3 Expenditure without approval of PAB and diversion of funds

As per paragraphs 88.1 and 88.2, funds shall not be diverted or re-appropriated to meet any expenditure which has not been sanctioned by the competent authority. Expenditure cannot be incurred on any item which has not been provided for or contemplated in sanctioned budget estimates. Further, re-appropriations carried out will be reported to Project Approval Board (PAB) for its information while submitting the AWPB of the succeeding years. Following observations on diversion of funds from one head to another were noticed:

- Funds were provided under National Programme for Education of Girls at Elementary Level (NPEGEL) being implemented in 31 educationally backward blocks (EBBs). But instead of spending the allotted funds on the scheme, the Parishad had spent ₹ 43.53 lakh on procurement of furniture, *darries* (carpet) and steel almirah for schools.

The Parishad stated (January 2014) that sanction was accorded for purchase of furniture items on the demand of concerned districts out of unspent funds provided for remedial coaching under NPEGEL. The reply was not convincing as there was no provision for procurement of above said items in the guidelines.

- An expenditure of ₹ 5.40 crore was incurred on purchase of PT Drum, dumb bell and lazium by 5,397 upper primary schools during 2010-11 under management and MIS head. This procurement was neither planned in Annual Work Plan and Budget nor approved by PAB under management and MIS head.

The Parishad stated (January 2014) that the expenditure was approved by the PAB while approving the budget for the year 2011-12. The reply was not convincing as it was not disclosed that the expenditure of ₹ 5.40 crore was incurred on purchase of sports items under Management and MIS head.

➢ An amount of ₹ 16.51 crore was remitted (March 2013) to Board of School Education, Haryana, Bhiwani for making payment of honorarium to DEd interns for bringing 'Out of School Children' to the schools for admission to appropriate classes. DEd interns conducted special classes during summer vacation of enrolled students instead of bringing out of school children to schools. Thus, the amount of "special training for mainstreaming of out of school children" was diverted for payment to DEd interns irregularly. Further, the Board of School Education did not have any data of Out of school children which had been mainstreamed by these interns.

2.3.7.4 Payment on muster rolls without obtaining signatures/thumb impressions

As per procedure, every casual labourer receiving payment on muster rolls should mark his signature or thumb impression in token of receipt of payment in the presence of competent authority. Twenty three schools had made payment of ₹ 12.96 lakh to labourers on muster roll without obtaining signature/thumb impressions as detailed given in ***Appendix 2.11***. The procedure regarding obtaining the signature/thumb impression of the payee should be followed without fail.

2.3.8 Programme implementation and major interventions

2.3.8.1. Enrollment of students

One of the main objectives of the SSA was to attain universalisation of elementary education in the country by bringing all the children in the age group of 6-14 years to schools for education. The details of number of primary and upper primary schools and enrollment of students in primary and upper primary schools for the period 2008-13 are given in Table 2.3.2.

Table 2.3.2: Number of schools and enrollment of students in primary and upper primary schools

Year	Number of schools		Students enrolled	
	Primary	Upper Primary	Primary	Upper Primary
2008-09	9324	5257	1454701	671718
2009-10	9332	5376	1423843	671213
2010-11	9384	5519	1367779	663182
2011-12	9407	5549	1403121	712471
2012-13	9325	5636	1343995	727288

Source: State AWPBs of concerned years

The enrollment of students in primary schools had decreased from 14,54,701 to 13,43,995 (7.61 *per cent*) while in upper primary schools it had increased from 6,71,718 to 7,27,288 (8.27 *per cent*).

The data regarding scheduled caste students and girls both primary and upper primary schools is given in ***Appendix 2.12***. Similar downward trends were seen in enrollment of SC students and girl students in respect of primary schools and upward trend in respect of upper primary schools.

The Parishad stated (January 2014) that enrollment in Government Primary schools had decreased due to mushrooming of private English medium schools in the State.

2.3.8.2 Intervention for 'Out of School Children'

As per AWPB, number of out of school children had decreased to 1.25 lakh at the end of 2012-13 from 1.61 lakh at the end of 2008-09. Thus, there was improvement in decreasing the number of out of school children but still far behind the national target of bringing it to zero. The number of out of school children had not been compiled through any survey after the Census of 2011.

As per paragraph 40 of MFMP, Alternative Innovative Education/ Vocational Centre (AIE/VOC) can be established for mainstreaming Out of School Children. Provision has been made for the education of children of brick-kiln workers by establishing bhatta-pathshalas at/or in their vicinity. As per guidelines, children enrolled in bhatta-pathshalas were required to be evaluated at the end of the session and migration certificates were also required to be issued to these children as per their learning levels for facilitating their mainstreaming in formal schools at their place of origin. A total of 1,574 bhatta-pathshalas were run in the State during 2010-11 and 32,741 children were enrolled as against the target of 47,893 children in these centres. The performance of bhatta-pathshalas was not upto the mark in test-checked districts as per details given in the Table 2.3.3.

Table 2.3.3: Details of performance of Bhatta Pathshalas

District	Number of children as per survey	Number of children enrolled in centres	Expenditure (₹ in lakh)	Remarks
Yamuna Nagar	1148	978	7.01	All the NGOs did not fulfill the condition of mainstreaming therefore second and third instalments not issued.
Panchkula	1407	1407	10.31	Report of mainstreaming has been shown 'Nil'.
Bhiwani	1645	1078	28.12	NGO itself accepted not taking any test and not issuing any certificate.
Sirsa	1993	1973	16.36	For Bhatta Pathshalas no learning levels assessed and no certificates issued.
Mewat	3004	1891	32.14	Data was not maintained regarding mainstreaming and issuing of certificates.
Jhajjar	12058	5981	100.48	Data was not maintained regarding mainstreaming and issuing of certificates.

Source: Records/replies of District Project Coordinators concerned.

Despite poor performance of centres, the District Project Coordinators (DPC) had not initiated any action for recovery of the disbursed amount. Besides, the objective of the scheme remained unachieved to a large extent.

The Parishad stated (January 2014) that the strategy in this regard had been changed and no bhatta-pathshalas would be opened in future. The reply was not convincing as no action had been taken for poor performance.

2.3.8.3 National Programme for Education of Girls at Elementary Level

National Programme for Education of Girls at Elementary Level (NPEGEL) has been formulated for education of under privileged/disadvantaged girls from class I to VIII as a separate and distinct component of SSA. Scheme has been implemented in 31 educational blocks in 10 districts in the State. As against the budget provision of ₹ 15.06 crore, an expenditure of ₹ 10.32 crore was incurred during 2008-13.

The savings of ₹ 4.74 crore were due to non-carrying out of activities like remedial teaching and bridge courses for girls with irregular attendance, learning through open school, general health check-up of girls, teacher training on gender aspects, etc. regularly by DPCs test-checked. The data regarding number of beneficiary girls and girls brought back in education system was not maintained by DPCs concerned. As a result, impact of implementation of scheme could not be assessed in audit.

The PS during the exit conference stated that for the improvement of education of girls, teachers were trained for gender sensitization. Activities of Meena Manch were carried out to build confidence among the girls. It was also stated that more activities as envisaged in the programme would be taken up to make the component a success.

2.3.8.4 Girls Education and SC/ST Children

Project Approval Board (PAB) had approved an outlay of ₹ 6 crore for various activities[30] in the year 2008-09 for Girls Education and SC/ST Children.

PAB had provided (2008-09) only an amount of ₹ 0.19 crore for sports kits for Girls Education and SC/ST Children but sports goods worth ₹ 5.57 crore were procured (January-March 2011) under this component. Similarly, Fund of ₹ 1.12 crore was transferred (March 2011) to the Director, Secondary Education for procurement of sports items. The procurement of sports material was neither planned in AWPB nor approved by the PAB.

The Parishad stated (January 2014) that the expenditure was incurred on sports items to promote the confidence, physical fitness, team spirit and making healthy mind, etc. of girls and SC/ST children. It was further stated that the PAB was appraised of the expenditure incurred on sports items while submitting budget for the next year i.e. 2009-10. The reply was not convincing as only ₹ 0.19 crore was provided for sports

[30] (i) Bicycles: ₹ 342.28 lakh, (ii). Excursion Tours: ₹ 20 lakh, (iii). Vocational Courses: ₹ 83.40 lakh, (iv). Uniforms: ₹ 44 lakh, (v). Shoes: ₹ 26.40 lakh, (vi). Bags: ₹ 44 lakh, (vii) Socks: ₹ 4.40 lakh, (viii). Sewing Machines: ₹ 16.60 lakh and (ix). Sports Kit: ₹ 18.90 lakh

kits and other activities such as providing of bicycles and uniforms, excursion tours, conducting of vocational courses, etc. were not carried out. As such, the scheme was not implemented in the proper manner. Further, the argument of the Parishad that PAB was apprised of the expenditure was not convincing as the expenditure was incurred in January-March 2011.

2.3.8.5 Delay in releasing uniform grants

PAB approved (October 2010) an outlay of ₹ 51.66 crore for providing uniforms to all Girls and BPL Boys and funds were transferred by the Parishad to the accounts of all DPCs in March 2011 i.e. after a delay of six months.

Similarly, PAB had approved (May 2011 and April 2012) ₹ 61.09 crore for 2011-12 and ₹ 64.20 crore for 2012-13 for distribution of school uniforms. The Parishad, however, transferred funds only in November 2011 for the year 2011-12 while ₹ 10.22 crore was transferred during September 2012 to March 2013 for the year 2012-13. Thus, there was substantial delay in transferring the funds.

In test-checked districts following irregularities were noticed:

- Delay of 15 to 127 days in disbursal of grant for uniforms by DPCs to BRCs.
- Cash of ₹ 16.08 lakh by 48[31] schools in 2010-11, ₹ 13.07 lakh by 38[32] schools in 2011-12 and ₹ 13.15 lakh by 27[33] schools in 2012-13 was disbursed in lieu of uniform which is against the provisions of the scheme.
- Delay in utilisation of uniform grant and distribution of uniforms in the next academic year was noticed in 16 schools in 2010-11 and 19 schools in 2011-12.

While admitting the delay in releasing the uniform grant, the PS stated during the exit conference (January 2014) that the scheme was implemented for the first time in 2010-11 and there were some difficulties in collection of data regarding number of eligible students per school and disbursement of funds to schools. It was also stated that a proper system for release of uniform grant had been put in place with effect from 2013-14. As regards cash distribution of uniform grant to students, the Parishad stated (January 2014) that the matter would be investigated as to whether the grant had actually been distributed to students or not.

2.3.8.6 Delay in distribution of "Free Text Books"

Paragraph 25 of MFMP stipulates that free text books will be provided to all children of Government schools, local body schools, Government aided schools and *Madarsas* before the start of academic session i.e. April of each year. In test

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[31] Bhiwani: 13, Jhajjar: 19, Panchkula: 10 and Yamuna Nagar: 6

[32] Bhiwani: 1, Jhajjar: 19, Mewat: 6, Panchkula: 7 and Yamuna Nagar: 5

[33] Jhajjar: 17, Mewat: 8 and Yamuna Nagar: 2

checked districts books were distributed after a delay of one to eight months (***Appendix 2.13***).

The Board of School Education Haryana, Bhiwani (BSEH) invited tenders (August 2012) for engaging printing firms for the work. The work of printing of books was allotted (December 2012) to two firms namely M/s Gopsons Papers Ltd. for class 1st and 2nd and to M/s Printek Graphix Pvt. Ltd. for classes 3rd to 8th. The work was to be completed within 90 days i.e. up to 5 March 2013. M/s Gopsons Papers Ltd. fulfilled its contract but M/s Printek Graphix Pvt. Ltd. did not supply the books. The situation was reviewed on 1 August 2013 and it was decided that short term tenders for printing of books should be invited immediately. Consequently, an emergent short term Tender Notice was issued in Newspapers on 4 August 2013 by the Parishad. The work of printing and supply of books up to block level was allotted to firms on 3 September 2013 with a delivery period of 28 days i.e. latest by 7 October 2013. Thereafter, the printing firm supplied the books. Had the position of supply of books been reviewed in March-April 2013, the books could have been procured timely and distributed among the students. Further, in the absence of risk and cost clause in the contract agreement, the Department had to incur an extra expenditure of ₹ 5.90 crore after adjusting invoked bank guarantee of ₹ 3.81 crore and forfeited security of ₹ 5 lakh.

The PS during the exit conference admitted the delay in distribution of free text books. However, it was stated that students were provided by taking books back from old pass out students. It was also accepted that there was no risk and cost clause in agreement in the event of non-supply of material.

2.3.8.7 Non-supply of maps

The Parishad placed ₹ 4.94 crore with Haryana Space Application Centre (HARSAC) on 31 March 2011 for procurement of maps for 177 upgraded new primary and 3,118 Senior Secondary Schools. The maps were not supplied till February 2012. On being pointed out by Audit in March 2012, the Parishad had taken up (March 2012) the matter with the HARSAC, which refunded (May 2012) an amount of ₹ 4.16 crore after deducting ₹ 78.75 lakh on account of preparation of soft copy by them. The Parishad accepted the payment. Funds of ₹ 4.94 crore remained blocked for over a period of more than a year (from 1 April 2011 to 15 May 2012) and the soft copy prepared by HARSAC was of no use for the Parishad unless the maps are printed and supplied to schools. Parishad had suffered a loss of interest of ₹ 49.97 lakh besides loss of ₹ 78.75 lakh deducted by HARSAC on account of soft copy. Further, the Parishad had not even taken up the matter with the HARSAC for recovery of loss caused due to failure of HARSAC.

The PS stated during the exit conference that the digital maps provided by HARSAC were available with the Parishad and being used for planning purpose. It was also assured that these maps would be got printed and would be supplied to the schools. As regards deduction of ₹ 78.75 lakh, it was stated that matter would be taken up with the HARSAC for refund of the amount.

2.3.8.8 Blockade of funds

(i) The Parishad transferred (March 2010) a sum of ₹ 21 crore to all the DPCs in the State with the directions to book the amount as advance under Dual desks. As the proposal of the Parishad for procurement of Dual desks was not approved by the GOI, entries were reversed in February 2012 in the books of all DPCs. The amount was lying unspent in the accounts of DPCs as of August 2013.

The PS during exit conference stated that a sum of ₹ 6 crore had been taken back from DPCs and balance ₹ 15 crore would also be taken back shortly.

(ii) The Parishad accorded administrative approval and financial sanction to incur an expenditure of ₹ 2.73 crore for 1365 primary/upper primary schools in the State for Information, Education and Communication (IEC) activities (wall painting) on 30 March 2012. Accordingly, the amount was transferred to all the DPCs (₹ 13 lakh per DPC) for 65 schools in each district having more than 100 students. The amount was lying in the accounts of DPCs as of August 2013. Thus, the funds remained unspent and students were deprived of the benefits of the scheme.

The PS agreed with the audit observation during exit conference and stated that guidelines had since been issued in July 2013 and work would be completed soon.

2.3.8.9 Child with special needs

Paragraphs 35.1 and 35.2 of MFMP provide that every child with special needs (CWSN), irrespective of the kind, category and degree of disability should be provided education in an appropriate environment. The thrust of SSA will be on providing integrated and inclusive education to all children with special needs in general schools. Details of CWSN identified and enrolled in test-checked districts are given in Table 2.3.4.

Table 2.3.4: Details of selected districts of CWSN identified and enrolled children

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
No. of CWSN identified	8,603	7,448	11,938	13,161	13,544
Enrolled in formal school	6,995	6,583	9,293	10,851	12,462
Proposed to be covered through EGS/AIE	710	452	209	850	121
Proposed to be covered through HBE	321	234	541	95	222
Not planned to be enrolled	577	179	1,895	1,365	739

Above data shows that out of 13,544 identified CWSN, 739 CWSN were not planned to be enrolled in the selected DPIUs for the year 2012-13. Further, 121 CWSN were planned to be enrolled in Education Guarantee Scheme (EGS)/Alternative and Innovative Education (AIE) and 222 CWSN were planned to be covered through Home Based Education (HBE). No EGS/AIE was functional and activity of HBE was also not implemented due to dearth of teachers, as a result of which 343 CWSN remained to be covered. Thus, 1,082 CWSN remained out of education stream.

Audit scrutiny of test-checked districts showed that monitoring at the level of DPCs was not done and no research study was conducted about effectiveness of schemes.

The Parishad stated (January 2014) that for covering severely disabled children, 474 Inclusive Education for Disabled Volunteers had been deployed in April 2013 who would provide HBE to such children and scheme would be monitored at BRC and DPC level in future.

Civil works

2.3.9. *Execution of civil works*

As against the budget provision of ₹ 1481.71 crore, an expenditure of ₹ 628.39 crore was incurred during 2008-13 on execution of civil works. The targets and achievements in respect of various civil works for the period from 2008-09 to 2012-13 are given in ***Appendix 2.14***. An analysis of the data disclosed that as against the target of 40,472 civil works, 32,504 (80.31 *per cent*) had been completed as of July 2013. Apart from this, 274[34] civil works pertaining to the period 2003-07 had not yet been started while 194[35] civil works were still in progress (July 2013).

Apart from above, scrutiny of records of test-checked districts (except Mewat district where information was not available) disclosed that many schools required major repairs as per details given in Table 2.3.5.

Table 2.3.5: Statement showing the details of condition of school buildings

Sr. No.	Name of District	Number of class rooms required major repairs		
		Primary Section	Upper Primary Section	Total
1.	Yamuna Nagar	73	38	111
2.	Panchkula	69	47	116
3.	Bhiwani	253	163	416
4.	Kaithal	172	67	239
5.	Sirsa	0	0	0
6.	Jhajjar	112	57	169

Source: Data furnished by DPIUs concerned

Audit scrutiny of budget proposals submitted to the Parishad for the period 2008-12 by concerned DPCs showed that these DPCs had not prepared any plan for carrying out major repair of these class rooms.

Non-completion of these works had defeated the very purpose of the scheme. Scrutiny of records relating to construction activities brought out the following deficiencies:

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[34] New school buildings: 92, Block Resource Centres: 3, Class rooms: 14 and Drinking water facilities: 165

[35] New school buildings: 39 and Class rooms: 155

2.3.9.1 Additional funds for completion of school buildings

Due to non-completion of construction work of 67 new school buildings and 8 additional classrooms (ACRs) (One: 2006-07 and Seven: 2007-08) within a set timeframe in Yamuna Nagar district, cost of construction material had increased manifold. Additional funds of ₹ 68.01 lakh were released (March 2010) by the Parishad to DPC, Yamuna Nagar for completion of these works. Out of the funds DPC, Yamuna Nagar disbursed a sum of ₹ 61.28 lakh to the schools in March 2010.

Similarly, DPC, Mewat was provided additional funds of ₹ 2.99 crore in March 2010 for completion of 849 civil works related to the period 2004-08. Due to lack of proper monitoring, these civil works could not be completed within stipulated time and extra expenditure had to be incurred.

The Parishad stated (January 2014) that works were executed by School Management Committees (SMCs) whose members were non-technical. The SMCs arrange the required material at their own level, as a result of which construction period exceeded the target date and delayed construction added to the construction cost. The reply was not convincing as department should have proper co-ordination with SMCs for completion of works within the prescribed period.

2.3.9.2 Allotment of civil works without requirement/planning

➢ In test-checked DPCs, funds for civil works were surrendered by schools during 2008-13 on the grounds that no demand was submitted to the DPC; low enrollment of students in schools; non-availability of land and land under litigation. The details are given in Table 2.3.6.

Table 2.3.6: Details of Civil works surrendered by schools

DPIU	Number of works	Total cost	Number of works surrendered	Total cost of surrendered works (₹ in crore)
Yamuna Nagar	1518	50.33	23	0.43
Panchkula	358	9.94	34	0.54
Bhiwani	3690	84.56	72	1.01
Kaithal	1140	25.85	63	0.52
Mewat	3490	197.35	284	7.48
Total	**10196**	**368.03**	**476**	**9.98**

Source: Compiled by audit on the basis of DPIU records.

Thus, DPCs concerned had not conducted proper survey to assess the requirement/viability for execution of civil works.

➢ Funds of ₹ 5.03 crore were released to the DPC, Yamuna Nagar for construction of 131 Headmaster's rooms between July 2011 and February 2012. The DPC released ₹ 1.92 crore (at the rate of 50 *per cent* of the estimated cost) to 48 schools in August 2011, six schools in March 2012 and 30 schools in September 2012 after a lapse of more than one year from the date of receipt of funds. Thus, funds amounting to ₹ 1.80 crore remained blocked with DPC in respect of remaining 47 schools. Out of 30 schools to which the funds for rooms were provided in September 2012, two schools (Government Primary School

(GPS), Ratoli and GPS, Chhapar) have stated during physical verification that funds were allotted without any demand. This showed lack of planning and survey.

Similarly, SPD Office allotted (2008-09) grant for the construction of 275 ACRs to DPC, Jhajjar. An amount of ₹ 89.46 lakh was disbursed (September 2008) for construction of 63 ACRs. Another list of 80 ACRs was approved in March 2009 and DPC, Jhajjar disbursed an amount of ₹ 1.06 crore for these ACRs in June 2009 after a lapse of one year from the date of approval. Third and fourth lists totalling 132 ACRs were approved by SPD Office in March 2010 (after a lapse of 21 months).

Out of these 275 ACRs, 24 ACRs could not be started due to non-availability of land. Out of remaining ACRs, 40 ACRs could not be completed in the allotted budget due to delay in allotment and consequent rise in prices. Funds amounting to ₹ 44.98 lakh had been demanded for completion of these ACRs.

The PS stated during the exit conference that the system of ascertaining the requirement of school infrastructure had been changed, the works are now being allotted on actual requirement basis and there is minimum number of surrender of works now.

2.3.9.3 Delay in construction of residential hostel/school buildings

- The construction of new school building for upper primary school of Sudhiwas village in Behal block was started in November 2010 which had reached up to lintel level. The structure was, however, dismantled due to execution of sub-standard work and construction was re-started. Allotted funds of ₹ 11.78 lakh had exhausted and construction work had reached only upto slab level. The building was lying incomplete (August 2013). The Parishad stated (January 2014) that the Gram Panchayat had assured that the building would be completed and extra expenditure would be borne by them.

- An amount of ₹ 2.88 crore was allocated for construction of four residential hostels each with the capacity of 100 students. The Parishad had released grants in October 2011/November 2011 to GPS, DLF, Phase-II, Nathupur (Gurgaon) of ₹ 16.05 lakh for additions and alterations in the existing school building and to GSSS, NIT, Faridabad, GGSSS, Ballabhgarh (Faridabad); Government Middle School (Boys), Sector-4, MDC, Panchkula each of ₹ 79.65 lakh for construction of new hostel building. Construction of new hostel building in Panchkula had not yet been started (March 2013) due to non-receipt of NOC from HUDA. The funds were released by the Parishad without ascertaining title of the land resulting in blocking of funds with DPC, Panchkula.

2.3.9.4 Kasturba Gandhi Balika Vidyalaya building at Rajound

The Kasturba Gandhi Balika Vidyalaya (KGBV) scheme was launched by GOI in July 2004 for setting up residential schools at upper primary level where there were a minimum of 50 girls belonging predominantly to SC, ST, OBC and minority communities.

Contract for the construction work of KGBV at Rajound awarded (November 2007) to the Rajound Saraswati Co-op L&C Society Ltd. for ₹ 41.93 lakh to be completed by May 2008 was extended up to November 2008 and ₹ 35.57 lakh was paid to the agency in November 2008.

As per test reports, two items namely 'Flooring Top' and 'Cement Mortar in Brick Massonary' were found to be under specification. On the orders of DC, Kaithal, an FIR was lodged (January 2009) against the agency, Junior Engineer and Sub Divisional Engineer (SDE), SSA, Kaithal for substandard work in "Flooring Top" and "Cement Mortar in Brick Masonry" which was cancelled in July 2009.

The agency was granted extension upto 31 August 2011 and the Executive Engineer of the Parishad issued notices in November 2011, August 2012 and October 2012 to execute the work at risk and cost of the contractor under Clause-III of the contract. As per report of SDE, SSA, Kaithal, 17 items were under specification and cracks had developed in the building. The expenditure of ₹ 35.57 lakh incurred on construction of school building was rendered unfruitful. No further action was taken to complete the work. The PS during the exit conference while viewing the matter seriously directed the SPD to form a committee to fix the responsibility of officers concerned for the failure. It was also stated that remedial action would be taken to make the building worth use for running the KGBV.

2.3.9.5 Performance evaluation

Physical verification of 170 Primary/Upper Primary Schools showed that:

- student classroom ratio 40:1 was not maintained in 35 schools;
- classes were conducted in open/Verandah in 31 schools;
- non-availability of dual desks in classrooms was noticed in 79 schools;
- non-availability of separate Girls/boys toilets were found in 27 schools;
- school buildings were not in good condition in 26 schools;
- non-availability of spacious play ground was noticed in 48 schools;
- non-availability of Library books was found in 9 schools;
- non-availability of sweeper for cleanness of schools & toilets was noticed in 33 schools; and
- non-availability of Electric Fans in the class rooms was noticed in 24 schools.

The PS stated during the exit conference that deficient infrastructure/facilities pointed out by Audit had been noted and efforts would be made to provide proper infrastructure/facilities these schools.

2.3.10. Human Resource Development

2.3.10.1 Rationalization of deployment of teachers

Table 2.3.7 presents the position of requirement and actual strength of teachers as on 30 September 2012. District-wise position of shortage of teachers in primary and upper primary schools is given in ***Appendix 2.15***.

Table 2.3.7: Details showing Teacher Deployment in the State

Teachers cadre in schools	Requirement	Posted	Shortage	Shortage in percentage
Primary	46,390	32,241	14,149	31
Upper Primary	26,056	21,822	4,234	16
Total	**72,446**	**54,063**	**18,383**	**25**

Source: Data furnished by HSSPP

An analysis of the data given in the appendix showed that 109 teachers were in excess of requirement in three[36] districts in primary schools while 506 teachers were in excess in five[37] districts in upper primary schools. Further, there was acute shortage of teachers in Faridabad, Mewat, Palwal and Yamuna Nagar districts in primary schools and in Fatehabad, Kaithal, Karnal, Mewat, Palwal, Sirsa districts in upper primary schools.

The Parishad stated (January 2014) that in addition to regular teachers, 15,002 guest teachers were working in the State. Further, rationalization of deployment of teachers had been done in 2013-14 and process of recruitment of 9,870 teachers was under process. The fact, however, remained that there was still substantial shortage of teachers.

2.3.10.2 Training programmes

(i) In-Service teacher training

Providing in-service training to the teachers deployed in schools is an important component of SSA. As per provisions contained in the MFMP, following training programmes had been prescribed for the teachers:

- 10 days in-service training for all teachers each year at BRC level;
- Up to 10 monthly Cluster level meetings and peer group training sessions for all teachers each year at CRC Level;
- 30 days induction training for newly recruited teachers;
- 60 days training for on the job untrained teachers to acquire professional qualifications through in service distance programmes;

[36] Jhajjar: 77, Rewari: 18 and Rohtak: 14

[37] Jhajjar: 61, Mahindergarh: 230, Panchkula: 86, Rewari: 84 and Rohtak: 45

- Training of BRC and CRC Coordinators and Resource persons up to 10 days each year.

Only an amount of ₹ 0.58 crore (3.12 *per cent*) out of ₹ 18.58 crore budgeted for training was spent in organizing in-service teachers' training during 2008-13 in selected districts.

(ii) Induction training for newly recruited Junior Basic Trained teachers

Funds of ₹ 3.12 crore were allocated by the PAB for conducting induction training to newly recruited Junior Basic Trained (JBT) teachers for the year 2010-11. Duration of the said training was 30 days. The Parishad placed (February 2011) a sum of ₹ 2.53 crore at the disposal of the Director, SCERT, Gurgaon for imparting training.

Scrutiny of records of test-checked districts disclosed that details regarding number of teachers trained were not available with any of the DPCs test-checked. The Parishad stated (January 2014) that out of ₹ 2.53 crore, ₹ 1.18 crore had been spent on training through District Institutes of Education and Training (DIET) as of January 2014. Thus, ₹ 1.35 crore remained blocked with SCERT.

(iii) Deployment of Block Resource Persons

For effective implementation of RTE, GOI had approved 338 posts of Block Resource Persons (BRPs) for the State with budget allocation of ₹ 2.38 crore. Six Resource persons per block were to be deployed for 3 months for subject specific training. The Parishad had transferred the funds to DPCs in March 2011. Scrutiny of records of the Parishad showed that due to non issuance of sanctions, funds could not be utilized (August 2013).

The PS stated during exit conference that the persons could not be deployed earlier as the persons from deputation were not available. It was further stated that out of total requirement of 595 BRPs, 405 had been deployed in July 2013. The fact, however, remains that posts of BRPs remained vacant for more than two years.

2.3.11. Research and evaluation

Research plays an important role in implementation of programme. Research studies are to be conducted to provide feedback on effectiveness of the different inputs, to highlight the problem areas in implementation and to suggest changes in interventions to make them more effective.

2.3.11.1 Non-conducting of research studies despite budget allocation

Budget allocation of ₹ 1300 per school per year was made in AWPB during 2008-13. As against budget provision of ₹ 2.98 crore, only an amount of

₹ 0.13 crore (4.36 *per cent*) was spent by test-checked DPCs. Scrutiny of records, however, showed that no research study was carried out by test-checked DPCs.

2.3.11.2 Non-development of web portal for MIS and GIS

The Parishad remitted funds of ₹ one crore to HARTRON in March 2009 for the development of web portal Management Information System (MIS) and Geographical Information System (GIS) for Government schools/Government aided schools in the State.

There was no progress for the development of web portal (April 2013). HARTRON in April 2013 repaid ₹ 98.62 lakh after four years without developing the web-site.

2.3.12. Internal control and monitoring

2.3.12.1 Internal control

Internal control provides reasonable assurance to the Management about the compliance of applicable rules and regulations. The internal control system in the Parishad was inadequate with regard to financial management, implementation of programme, execution of works, etc.

2.3.12.2 Monitoring through District Level Committees

Paragraph 101.11 of MFMP provides that a district level committee comprising public representatives would be constituted to monitor the implementation of the activities of SSA in the district. The committee will be appraised of the progress of the SSA, both in terms of key targets and achievement thereof and also on outcome indicators, *inter-alia*, enrollment, dropout, learning achievement levels of students, etc. Suggestion of the members should be taken into consideration, within the parameters of the SSA guidelines and framework of implementation and the approved Annual Work Plan and Budget of the district, for improving SSA implementation at the local level. The committee will also examine the synergy and convergence of other related Government Departments in improving school infrastructure and other support services for benefit of children in the 6-14 age groups. The committee will meet once in a quarter.

Records regarding constitution of district level Committee/organization of meetings of DLC for the period 2007-12 were not maintained by any of the DPCs test-checked except Sirsa. As a result of this, monitoring at the level of District Level Committee could not be assessed in audit.

The Parishad stated (January 2014) that necessary directions would be issued to all DPCs to maintain proper records of monitoring.

2.3.13. Conclusion

District plans were not prepared properly after conducting proper survey or obtaining data from village level. Financial management was not proper as there were substantial savings. Further Bank Reconciliation statements were not prepared by the Parishad as a result of which an embezzlement occurred. The enrollment at primary school level had decreased during 2008-13. There was improvement in enrollment of students at upper primary schools. The objective of the programme to bring all children in schools or alternate schools was not achieved as about 1.25 lakh students were still out of school at the end of March 2013. Further, interventions for out of school children, NPEGEL, uniforms, free text books, children with special needs, etc. were not implemented properly, as a result, the funds remained blocked and objective of each intervention could not be fully achieved. There were also deficiencies in execution of civil works such as lack of planning, delays in completion, extra expenditure, sub-standard execution, etc. There was shortage of teachers to the extent of 25 *per cent*. Shortfall in imparting in-service training to teachers and induction training to JBT teachers were also observed.

2.3.14. Recommendations

For the successful implementation of the programme, the Government may consider:

- preparation of district plans after conducting proper survey and obtaining data from village level;
- implementation of all the interventions of target groups in a planned manner to avoid savings;
- regular preparation of Bank Reconciliation statements; and
- activating the vigilance mechanism to avoid cases of sub-standard execution of works and unfruitful expenditure in execution of works.

The matter was referred to the Principal Secretary to Government of Haryana (PS), School Education Department in September 2013, reply had not been received. However, the audit findings were discussed with PS, School Education Department during the exit conference held in January 2014.

Rural Development Department

2.4 Indira Awaas Yojna

The Indira Awaas Yojna (IAY), a Centrally sponsored flagship scheme, is being implemented as an independent scheme since 1st January 1996. It aims at helping rural people below poverty-line (BPL) belonging to Scheduled Castes (SCs)/Scheduled Tribes (STs), freed bonded labourers and non-SC/ST BPL categories in construction of dwelling units and upgradation of existing unserviceable 'kutcha' houses by providing financial assistance.

Performance audit of the scheme brought out the following significant audit findings:

Financial assistance of ₹ 1.74 crore provided to 470 ineligible persons was not recovered despite the orders of Hon'ble Punjab and Haryana High Court.

(Paragraph 2.4.6.4)

Forty beneficiaries were given assistance amounting to ₹ 15.88 lakh who had already pucca houses.

(Paragraph 2.4.6.5)

As against the target of construction of 93,690 houses, 72,944 were completed during 2008-13. The data of completion of houses was not fully reliable as it was inflated by seven *per cent*. Further, the component of upgradation of unserviceable *kutcha* houses was not implemented at all.

(Paragraph 2.4.8.1)

Convergence with other schemes for providing comprehensive housing facilities was not done properly.

(Paragraph 2.4.9)

Monitoring and Management Information for system implementation of the scheme were weak and Social Audit was not conducted.

(Paragraphs 2.4.10.1 to 2.4.10.3)

2.4.1 Introduction

The Indira Awaas Yojna (IAY), a Centrally sponsored flagship scheme, is being implemented as an independent scheme since 1st January 1996. It aims at helping rural people below poverty-line (BPL) belonging to Scheduled Castes (SCs)/Scheduled Tribes (STs), freed bonded labourers and non-SC/ST BPL categories in construction of dwelling units and upgradation of existing unserviceable '*kutcha*' houses by providing financial assistance. The IAY have been extended to widows or next-of-kin to defence personnel killed in action, ex-servicemen and retired members of the paramilitary forces. Three *per cent* of funds are reserved for the disabled BPL persons in rural areas.

2.4.2. Organisational set-up

The Principal Secretary to Government Haryana, Rural Development Department is the administrative head at Government level. The Special Secretary-cum-Director, Rural Development is the head of the department and responsible for overall monitoring the scheme. He is assisted by a Project Economist and two Research Officers. At district level, District Rural Development Agencies (DRDAs) functioning in each district under the chairmanship of Deputy Commissioner (DC) of the district concerned and Additional Deputy Commissioners (ADCs) as Chief Executive Officers (CEOs) are responsible for implementation of the scheme. In the district, ADCs-cum-CEOs are assisted by Project Economists, Assistant Project Officers and an Accounts Officers. Each DRDA has a Governing Body to review the progress of works under the scheme and approval of plans at district level. The scheme is being implemented through Block Development and Panchayat Officers (BDPOs) at block level.

2.4.3. Audit objectives

The objectives of audit were to ascertain whether:

- the systems and procedures were in place for identification and selection of the target groups;
- allocation was adequate and release of funds was made in an adequate and timely manner and that these were utilized in accordance with the scheme provisions;
- physical performance in terms of number of units constructed and upgraded was as targeted and that the construction corresponded to the quality and financial parameters set out in the scheme guidelines;
- convergence with other programmes as envisaged was done effectively; and
- the mechanism in place for monitoring and evaluation of the outcomes of the programme was adequate and effective.

2.4.4. Scope of audit and methodology

Performance audit of the scheme was conducted for the period 2008-13 during April-September 2013. Records of the Directorate of Rural Development Department, District Rural Development Agencies of six[38] out of 21 districts

[38] (i) Panchkula, (ii) Mahendergarh, (iii) Palwal, (iv) Karnal, (v) Hisar and (vi) Sonipat

(29 *per cent*) and 13[39] out of 35 blocks under these districts along with 120 Gram Panchayats (GPs) were test-checked. The selection of districts was done by applying Probability Proportional to Size with Replacement (PPSWR) method while blocks and GPs were selected through Simple Random Sampling Without Replacement (SRSWOR) method. Physical verification of 1,339 dwelling units of IAY was also conducted by joint inspection teams comprising members of the audit team and staff of concerned BDPOs.

An entry conference was held with the Principal Secretary to Government of Haryana (PS), Rural Development Department in May 2013 to discuss the audit objectives, audit criteria and scope of audit. Audit findings were discussed in the exit conference held in November 2013 with the PS, Rural Development Department. The replies of the Government and deliberations of the 'Exit Conference' have been suitably incorporated in the report.

2.4.5. Audit criteria

The main sources of audit criteria were as under:

- Guidelines of IAY issued by the Ministry of Rural Development;
- Periodical reports/ returns prescribed by State Governments; and
- Circulars/instructions issued by the Department of Rural Development, Government of India (GOI).

Audit findings

2.4.6. Identification and selection of beneficiaries

2.4.6.1 Non-preparation of annual action plans

Test-checked DRDAs had not prepared annual action plans for the period 2008-12. The Department admitted (April/May 2013) and stated during the exit conference that the Annual Action Plan had been prepared for 2012-13.

2.4.6.2 Non-observance of prescribed procedure for selection of beneficiaries

Scrutiny of the records of the Directorate and test-checked DRDAs showed the following shortcomings in selection of beneficiaries:

- The selection of beneficiaries was done by DRDAs whereas the scheme stipulates that the selection of beneficiaries should be done by the Gram Sabhas.

[39] Panchkula: (i) Morni and (ii) Raipur Rani, Mahendergarh: (iii) Kanina and (iv) Narnaul, Palwal: (v) Hathin and (vi) Palwal, Karnal: (vii) Gharaunda and (viii) Nilokheri, Hisar: (ix) Hansi II, (x) Hisar II and (xi) Uklana, Sonipat: (xii) Mundlana and (xiii) Sonipat

The PS stated (November 2013) that districts had prepared waitlist from the data of BPL survey and due procedure was followed for selection of beneficiaries. The reply was not convincing as the list of beneficiaries was to be prepared by the Gram Sabhas instead of districts.

➢ The villages in districts/blocks were not found to have been divided into three groups/clusters as per scheme guidelines to facilitate better supervision, convergence of schemes and economies in purchases.

➢ The selected DRDAs except Sonipat had not prepared separate list of beneficiaries for SC/ST families and for non-SC/ST families as envisaged in the scheme.

➢ In Hansi II block, 23 families were provided benefits at the rate of ₹ 45,000 per family amounting to ₹ 10.35 lakh between August 2010 and July 2012 whose names were neither in the BPL list nor in the permanent waitlist.

➢ The DRDA, Panchkula had granted assistance of ₹ 95,000 to four beneficiaries of Raipur Rani (Panchkula) block during 2009-10 which were not in the BPL list. The BDPO, Raipur Rani issued notices in December 2009 to deposit the said amount in the account of DRDA, Panchkula but these beneficiaries had not deposited the amounts so far (August 2013). Had the DRDA, Panchkula verified the eligibility of the beneficiaries with reference to BPL list before release of grant, the payment to ineligible persons could have been avoided.

The PS stated during the exit conference that BPL list was variable in which names could be added or deleted as per circumstances as regards to Hansi Block II, it was stated that subsequent to demolition of their houses, the name of beneficiaries were added to the IAY waitlist. The reply was not convincing as the beneficiaries were required to be selected from the permanent waitlist as per scheme guidelines.

2.4.6.3 Irregular payments

The paragraph 2.4 of scheme guidelines provides that dwelling units should be in the name of female members of the beneficiary household. Alternatively, it can be allotted in the name of both husband and wife. However, if there is no eligible female member in the family available/alive, house can also be allotted to the male member of a deserving BPL family.

It was, however, noticed that 1,929 houses were in the name of male members during 2008-13 in test-checked cases without verifying the existence of eligible female members in the families. Physical verification of the dwelling units also showed that houses were allotted in the name of 251 male members though there were female members in the families.

The Director stated during the exit conference that suitable action would be taken against the defaulters after verifying the position.

2.4.6.4 Undue benefit given to ineligible beneficiaries

A Civil Writ Petition (CWP No 1581 of 2010 Sh. Pardeep Kumar & Others Vs State of Haryana and Others) was filed in 2010 in the Punjab and Haryana High Court regarding inclusion of ineligible persons/households in the list of Below Poverty Line (BPL) in the State. An affidavit was filed in the Hon'ble High Court by the Director, Rural Development showing that 1,68,676 ineligible persons/households had been issued the BPL cards. The High Court ordered to take action against the ineligible BPL cards holders. The Government in Rural Development Department issued (November 2011) directions to all the DRDAs to cancel the BPL cards of ineligible persons who had got the BPL cards by providing wrong information and also to make recovery of amounts involved in concessions/facilities availed of by them.

Scrutiny of record of test-checked blocks of selected districts showed that 470 ineligible families were given benefits in 10 blocks under IAY during 2008-13. Total recoverable amount worked out to ₹ 1.74 crore as per details given in ***Appendix 2.16***. It was further observed that no recovery had been made from the ineligible beneficiaries of IAY.

The PS stated (November 2013) that the matter was in the Hon'ble High Court and decision in this regard was to be taken by the State Government. The reply was not convincing as the action was required to be taken as per orders of the Government issued in November 2011 on the basis of orders of the Hon'ble High Court.

2.4.6.5 Non-utilisation of funds and assistance to ineligible families

The assistance is disbursed in two installments. After verification of construction work up to the lintel level, the second installment is released by the DRDAs/BDPOs. Further, paragraph 3.1 of the scheme guidelines, the assistance was to be given for construction of new houses and upgradation of unserviceable *kutcha* houses at the rates prescribed by Government from time to time. Scrutiny of the records showed the following shortcomings:

- Second installment had not been released to 1,174 beneficiaries in test-checked blocks. The Director, while admitting the facts, stated during the exit conference that notices were being issued to ineligible beneficiaries who had not completed their houses upto lintel level to become eligible for the second installment.

- Physical verification of 1,339 IAY houses showed that the 40 beneficiaries were given assistance amounting to ₹ 15.88 lakh who had already pucca houses and had constructed either the first floor or added a room or a kitchen to their existing houses.

Further, 18 beneficiaries who received ₹ 6.05 lakh did not construct houses. Out of these 18 beneficiaries, 12 beneficiaries were also released second installments. Apart from this, 13 beneficiaries who received ₹ 5.35 lakh had not completed their houses even after the receipt of second installments (***Appendix 2.17***).

The PS viewed the matter seriously and stated that proper action would be taken after conducting inquiry in the matter.

- In BDPOs, Morni and Palwal, two[40] beneficiaries were paid second installment amount of ₹ 23,500 and ₹ 20,000 twice between December 2010 and December 2012 resulting into double payment of ₹ 43,500.

The Director stated during the exit conference that recovery would be made from the beneficiaries by the BDPOs concerned.

2.4.6.6 Availing of assistance for rural housing schemes

As per norms, the beneficiaries of any other housing scheme were not eligible under IAY. In three[41] BDPOs, 15 beneficiaries of the Housing Scheme for Scheduled Castes being implemented by Welfare of Scheduled Castes and Backward Classes (WSCBC) Department availed benefit under IAY amounting to ₹ 5.45 lakh (***Appendix 2.18***). No checks had been prescribed to ensure that no one is benefited from the IAY scheme who had availed the benefit from any other housing scheme for the same purpose.

The Director stated during the exit conference that it would be inquired as to which department provided the assistance first. If IAY benefit was provided later, suitable action would be taken against the defaulting officials.

2.4.6.7 Non-utilisation of IAY houses for dwelling purpose

Physical verification of IAY houses showed that 23 beneficiaries availing the benefit of ₹ 9.08 lakh had been utilising their IAY dwelling units for storing fodder and keeping cattle (***Appendix 2.19***) defeating the basic objective of the scheme.

2.4.7. Financial management

IAY is a centrally sponsored scheme funded on cost-sharing basis between GOI and State Government in the ratio of 75:25. The interest amount accrued on the deposits of the lAY funds is treated as part of the lAY resources.

The State Government releases its share to DRDAs within one month of the release of Central assistance. The first installment (50 *per cent* of the total allocation) of the district is released at the beginning of the financial year. The second installment of the district will be released on receipt of request from DRDA after utilization of 60 *per cent* of the first installment.

[40] (i) Village Dhandwali and (ii) village Prithla

[41] (i) Kanina, (ii) Palwal and (iii) Sonipat

2.4.7.1 Availability and utilisation of funds

Details of release of funds by GOI and State Government and expenditure incurred were as given in the Table 2.4.1.

Table 2.4.1: Details of availability of funds and expenditure incurred

(₹ in crore)

Year	Opening balance	Funds released by		Miscellaneous Receipt@	Total funds available	Expenditure	Balance
		GOI	State Government				
2008-09	1.18	50.33*	16.79**	0.32	68.62	50.05	18.57
2009-10	18.57	52.26	17.42	0.88	89.13	80.78	8.35
2010-11	8.35	59.75	19.92	0.68	88.70	78.70	10.00
2011-12	10.00	58.12	19.37	0.88	88.37	80.61	7.76
2012-13	7.76	66.00*	21.00**	0.77	95.53	80.27	15.26
Total		**286.46**	**94.50**	**3.53**		**370.41**	

Source: Data furnished by the Directorate

Note: * include ₹ 1.99 lakh and ₹ 233.12 lakh released by GOI during 2007-08 and 2011-12 respectively.

**** include ₹ 2.12 lakh and ₹ 77.71 lakh released during 2007-08 and 2011-12 respectively.**

@ mainly interest receipts.

It was observed during test check of records of the Directorate that opening balances were reported less to GOI through Monthly Progress Reports (MPRs) than the actual balances during the period 2009-13 as detailed below:

Year	Opening balances actual	Opening balances as per MPRs	Difference in Opening Balance
2009-10	18.57	14.29	4.28
2010-11	8.35	5.84	2.51
2011-12	10.00	5.98	4.02
2012-13	7.76	4.46	3.30

Source: Data compiled from MPRs

Thus, incorrect reporting was done by the Department to GOI. The Director, while admitting the facts, stated during the exit conference that MPRs were primarily for instant reporting purposes and that the difference was due to gaps in the practical implementation of the scheme. The reply was not convincing as incorrect report hampers the planning process for the implementation of the scheme at Government level.

2.4.7.2 Cut imposed by GOI and short release of funds by State Government

Paragraph 4.2(ii) of scheme guidelines provides that opening balance of the district should not exceed 10 *per cent* of the funds available during the previous year. In case, the opening balance exceeds this limit, the Central and State share will be deducted proportionately at the time of release of grant.

Scrutiny of records of test-checked DRDAs showed that GOI and State Government had imposed cut while releasing the grants in respect of two DRDAs as given in the Table 2.4.2.

Table 2.4.2: Details of allocation, funds released and cut imposed

DRDA	Year	Opening balance	10 *per cent* of the available funds of the previous year	Allocation by GOI and State Government	Funds released	Cut imposed
		(₹ in crore)				
Sonipat	2012-13	0.72	0.47	4.23	4.15	0.08
Palwal	2012-13	0.99	0.35	3.41	2.91	0.50
				7.64	**7.06**	**0.58**

Source: Data provided by the Rural Development Department as per MPR-1

Had the above mentioned DRDAs spent more than 90 *per cent* of the funds available, the cut in Centre and State Share could have been avoided and more beneficiaries would have been covered under the scheme.

DRDA, Palwal while admitting the facts stated in reply (June 2013) that opening balance of the district would not be allowed to exceed 10 *per cent* of available funds in future.

Similarly, according to paragraph 4.2 (iv) of scheme guidelines, the State Government was required to release its contributions (including that of the previous years) to DRDAs for implementation of the scheme.

Scrutiny of records showed that the State Government had released its share short by ₹ 99.52[42] lakh in 2012-13. This resulted in less coverage of 221 beneficiaries. The Director admitted the short release of funds by the State Government during the exit conference.

2.4.7.3 Delay in release of State share to concerned DRDAs

Paragraph 4.6 of scheme guidelines provides that the State Government shall release its share to the DRDAs within one month after the release of the Central assistance.

Audit noticed that the Department had delayed the release of funds to the test-checked DRDAs in excess of prescribed limit of one month during 2008-11. Out of total release of ₹ 22.76 crore, the Department had delayed the release of ₹ 7.59 crore ranging between 20 and 67 days after one month of the release of funds by GOI.

The Director stated during the exit conference that the delay was primarily due to time taken in compliance of observations raised by the Finance Department. The reply was not convincing as the compliance of observation of the Finance Department should have been done in a time bound manner.

[42] State share due: ₹ 2,122.27 lakh and released: ₹ 2,022.75 lakh

2.4.7.4 Non-awareness about Differential Rate of Interest Scheme

The nationalized banks were required to disburse loans to IAY beneficiaries under Differential Rate of Interest (DRI) Scheme (at the rate of 4 *per cent* per annum) on borrowing up to ₹ 20,000 to top up the unit assistance. The GOI issued (August 2009) instructions to the State Governments to create awareness amongst the beneficiaries about the convergence of the scheme.

Test-checked DRDAs had, however, not created awareness amongst IAY beneficiaries with the result that only one beneficiary could avail of the benefit under the scheme in Mahendergarh district during 2008-13.

The DRDA, Panchkula stated (May 2013) that the beneficiaries were advised, motivated and educated while releasing the grant to avail of the benefit of DRI scheme. However, no request was received from any beneficiaries to avail of the benefit of DRI scheme. The reply was not convincing as the agency had not created awareness about the benefits of the scheme among beneficiaries. Further, no expenditure was incurred for creating awareness about the scheme.

2.4.8. Construction of houses and their quality

The main objective of IAY was primarily to help in construction of new house and upgradation of unserviceable *Kutcha* dwelling units of rural BPL households.

2.4.8.1 Targets and achievements

The target fixed for construction of new houses and achievements there against were as given in Table 2.4.3.

Table 2.4.3: Details of target and achievement for construction of new houses

Years	Target (Number of houses)	Achievement (Number of houses)	Percentage of achievement
2008-09	13,229	12,406	94
2009-10	25,611	19,424	76
2010-11	17,703	14,862	84
2011-12	17,293	14,479	84
2012-13	19,854	11,773	59
Total	**93,690**	**72,944**	**78**

Source: Data provided by Directorate

The above table indicated that the achievement of targets ranged between 59 and 94 *per cent* during 2008-13. Targets and achievements in respect of test-checked districts are given in ***Appendix 2.20***. The data in the appendix showed similar position in achievements of targets of construction of new houses. Further, the component of upgradation of unserviceable *kutcha* houses was not implemented at all in the State during 2008-13.

It was observed during physical verification of 1,339 houses, 1,246 houses shown as completed by the Department but out of these houses, only 1,164 houses were actually found to be completed. Thus, 82 houses were shown completed in excess of the actual number of houses completed. This showed that the data of completion of houses not fully reliable and was inflated by seven *per cent*.

In reply the DRDAs, Mahendergarh, Palwal and Sonipat stated (May-August 2013) that the incomplete houses would be completed in the next year, while DRDA, Panchkula (May 2013) stated that the targets could not be achieved due to misutilisation of first installments by the beneficiaries who had not constructed dwelling units. The reply indicated that proper monitoring for the construction of houses was not done by the BDPOs/DRDAs.

2.4.8.2 Cost effectiveness and quality of material

According to paragraph 5.2 of scheme guidelines, the State Government was to make available the information on cost effective environment friendly technologies, materials, designs, etc. at district/block levels. This information should only be for guidance and any other suitable location or specific technology can be adopted by the beneficiaries. During scrutiny of records of test-checked DRDAs, it was noticed that no such information was made available to beneficiaries at district/block levels. The Director admitted the facts during the exit conference.

2.4.8.3 Type designs of houses

According to paragraph 5.3 of scheme guidelines, the State Government should take responsibility and train sufficient number of masons and others who are involved in construction of the houses as per approved type designs by the Government. The State Governments may publish a book containing various designs relevant in the area, along with the site plan, structural design foundation, etc.

It was observed during scrutiny of records of test checked districts that the State Government had neither developed any type designs nor taken any steps to train the masons and others who were involved in construction of the houses. Further, no steps were taken to ensure availability of the tools and materials for construction of houses at district or block level as envisaged in the scheme.

The scheme guidelines (Paragraphs 5.2.1, 5.3 and 5.4) further provide that the house should be a pucca one having facilities such as kitchens, verandah, staircases, rainwater harvesting system, etc. However, during physical verification of dwelling units following shortcomings were noticed in type designs of IAY houses.

- Kitchens were not available in 840 IAY houses (63 *per cent*), out of 1339 IAY houses verified.

- The desirable feature of rain water harvesting was almost missing in IAY houses. *Varandahs* were available only in 374 houses (28 *per cent*) and staircases in 390 houses (29 *per cent*) were found to have been constructed.

The Director stated during the exit conference that the type designs of houses were to be prepared for the Northen-Eastern States. The reply was not convincing as type designs were to be prepared relevant in the area in all the States as envisaged in the scheme.

2.4.8.4 Training

As per paragraph of 5.7 scheme guidelines, officers dealing with the IAY at the State, district and block levels must be trained in various disaster resistant features to be adopted in the houses and they should ensure that this is complied with during their field visits. Awareness among the beneficiaries must be created about the disaster resistant and environment friendly technology through exhibitions of low cost technologies at the district and block level seminars, workshops, etc.

Scrutiny of records of the Directorate and test-checked districts/block showed that no training programmes, seminars and workshops were organized at State, district and block levels for this purpose. As such, IAY beneficiaries could not be benefited on this important aspect of the scheme. The Director admitted the facts during the exit conference.

2.4.8.5 Technical supervision

The paragraph 5.7.1 of scheme guidelines envisaged that technical supervision should be provided for construction of an IAY house. Foundation laying and lintel level are critical stages for maintaining the quality of the house. Therefore, technical supervision should be provided at least at these two stages.

It was observed during scrutiny of records of selected districts/blocks that no arrangement had been made for technical supervision to ensure the maintenance of the quality of the houses. The Director admitted the facts during the exit conference.

2.4.8.6 Non-maintenance of inventory of houses

According to paragraph 5.9 of scheme guidelines, the implementing agencies were required to maintain various details i.e. date of start and completion of construction of the dwelling unit, name of the village and block in which the house was located; name, address, occupation and category of beneficiaries etc. But, such records were neither maintained at district level nor at block level in test-checked districts.

The Director stated during the exit conference that these records would be maintained from 2013-14.

2.4.8.7 Non-display of IAY board and logo and permanent waitlist of beneficiaries

According to paragraph 5.10 of the scheme guidelines, the DRDAs were required to ensure that for each house constructed, a display board was to be fixed indicating the IAY Logo, year of construction, name of beneficiary, etc. Physical verification of the sampled villages showed that such IAY logo Board were not fixed except in respect of 14 houses, out of 1,339 verified houses. The Director stated during the exit conference that scheme guidelines would be followed in future.

2.4.9. Convergence with other schemes

The paragraph 5.11 of the scheme guidelines stipulates that DRDAs would make efforts to identify the programmes/schemes being implemented by various Ministries/Departments of Government, which could be dovetailed with IAY so as to ensure that IAY beneficiaries also derive the benefits of these schemes intended for rural BPL households. The scheme such as Total Sanitation Campaign (TSC), Rajiv Gandhi Gramin Vidyutikaran Yojna (RGGVY), National Rural Water Supply Programme (NRWSP), smokeless chulhas, etc. were implemented by other departments of the State which could have been dovetailed with IAY.

It was, however, observed during scrutiny of records of test-checked districts that the BDPOs had not maintained any data regarding providing of these comprehensive benefits to IAY houses. As a result of this, availability of these facilities could not be ascertained in audit. The following shortcomings were noticed during physical verification in convergence with other schemes:

➢ Out of 1339 houses verified, 647 (48 *per cent*) houses were not having sanitary toilets. Further, only 66 (5 *per cent*) beneficiaries received support from TSC scheme.

➢ None of the beneficiaries got benefit under National Rural Water Supply Programme (NRWSP). Benefits under Rajiv Gandhi Gramin Vidhutikaran Yojna (RGGVY) were not provided to 1262 (94 *per cent*) beneficiaries.

➢ Out of 1339 IAY houses verified, smokeless chulhas were not available in 1297 houses (97 *per cent*).

Similarly, paragraph 5.11 (vi) of the scheme guidelines provides that Life Insurance Corporation (LIC) of India has insurance policies called Janshree Bima for rural BPL families and Aam Aadmi Bima for the benefit of rural landless families. The DRDAs will furnish the particulars of all the willing IAY beneficiaries every month to the respective Nodal Agency which is implementing the Janshree Bima and Aam Aadmi Bima in the district so that all willing IAY beneficiaries derive the benefits available under these insurance policies. It was observed during scrutiny of records of selected districts/blocks that the benefits available under the scheme were not derived by the beneficiaries in any of the test-checked districts.

The Director stated during the exit conference that convergence with other schemes would be done from 2013-14 onwards.

2.4.10. Monitoring and evaluation

2.4.10.1 Monitoring and evaluation framework

As per provisions of the scheme, officers dealing with the IAY at the State headquarters, district, sub-division and block-levels should ascertain through field visits whether the programme was being implemented satisfactorily and whether construction of houses was in accordance with the prescribed designs. A schedule of inspection which prescribes a minimum number of field visits for each supervisory level functionary should be drawn up and strictly adhered to. It was, however, observed that no data of field visits was maintained at Directorate or the DRDAs or block levels to ensure the implementation of the scheme satisfactorily.

The monitoring of the programme at the State Level was the responsibility of State Level Vigilance and Monitoring Committee (SLVMC). It was observed that only three meetings were held during 2008-13 against the holding of quarterly meetings. The Director admitted the facts during the exit conference.

2.4.10.2 Management Information System

Paragraph 6.1 of the scheme guidelines provides that the reporting of complete and comprehensive data regarding physical and financial targets and achievement, details of beneficiaries, progress of houses sanctioned and funds released along with convergence with various programmes/schemes etc. at all levels of implementation of the scheme should be uploaded to MIS.

It was, however, noticed that MIS data was not uploaded for the period 2008-10. The data uploaded for the period 2010-13 was incomplete. The department stated (April 2013) that there was no special staff for IAY at field level in the State and that effort would be made to upload 100 *per cent* data in future.

2.4.10.3 Social Audit

As per provisions of the scheme (paragraph 6.3.5), system of social auditing of the scheme will be followed. In reply, the department stated (April 2013) that social audit was not being conducted specially under IAY. Thus, a very important aspect of the scheme was not implemented by the Department. The Director stated during the exit conference that scheme guidelines on this aspect would be followed in future.

2.4.10.4 Impact assessment

The Department of Economic and Statistical Analysis, Haryana evaluated the scheme and submitted its report in January 2013. The evaluation report also brought out that there was lack of awareness among rural people about the scheme, lack of responsibility among the people/officials in implementing the scheme regarding quality of raw material/latest technology and proper utilisation of funds, adoption of inadequate parameters for selection of beneficiaries, lack of monitoring, lack of amenities like supply of water and drainage, etc. It was observed that despite being pointed out these shortcomings in evaluation study, no remedial action was taken by the Department.

2.4.11. Conclusion

Prescribed procedure for selection of beneficiaries was not observed as selection of beneficiaries was done by DRDAs whereas the scheme stipulates that the selection of beneficiaries should be done by Gram Sabhas. Financial assistance was provided to male members of households in contravention of scheme guidelines. There were delays in release of State share to DRDAs. Physical achievements for construction of new houses were 78 *per cent* while the component of upgradation of unserviceable *kutcha* houses was not implemented at all. The data of completion of houses was not reliable. There were cases of providing assistance to ineligible persons and the benefit of convergence to provide comprehensive benefits was not availed. MIS data was not uploaded for the years 2008-09 and 2009-10 and the MIS data uploaded for the year 2010-11 to 2012-13 was incomplete. Monitoring of the programmes was very weak. System of Social Audit was not in existence at village level.

2.4.12. Recommendations

The Government may consider:

- adherence of guidelines regarding identification and selection of beneficiaries, providing benefits to female households, creating awareness about convergence of the scheme with other similar schemes, etc.;
- strengthening financial management to ensure that funds are disbursed to the beneficiaries promptly and making rules for recovery of assistance provided to ineligible beneficiaries;
- making proper system to ensure that beneficiaries complete their dwelling units; and
- making social audit effective.

Cooperation Department

2.5 Working of Cooperation Department

Cooperation Department has been catering to the needs of co-operative movement in the State. It provides share Capital and loans to Co-operative Societies on various terms and conditions as per scheme guidelines. The number of co-operative societies increased to 35,622 at the end of 2011-12 from 33,766 at the beginning of 2008-09.

Some of significant audit findings are enumerated below:

Government had invested ₹ 594.07 crore in share capital in co-operative societies but returns (₹ 1.36 crore) from these investments were negligible. The Department had not maintained consolidated data regarding redeemable share capital and accrued amount of loans to be recovered from loanee societies.

(Paragraph 2.5.7.6)

Interest amounting to ₹ 181.87 crore was waived to co-operative sugar mills with the condition that they would turn around into profit.

(Paragraph 2.5.7.7)

There were 33,766 registered societies upto 2008-09 which increased to 35,622 societies by the end of March 2012. The Department conducted audit in range of 41 to 47 *per cent* societies during 2008-12. Further, compliance of audit observation was made only by 12 *per cent* of the audited societies.

(Paragraphs 2.5.8.1 and 2.5.8.2)

Nine co-operative sugar mills had not started repayment of loans of ₹ 42.50 crore released during 2009-10 in violation of the terms and conditions of the loan yet the Department released loans amounting to ₹ 225.90 crore to co-operative sugar mills during 2010-13.

(Paragraph 2.5.9.1)

An amount of ₹ 7.55 crore was paid to compensate the losses incurred by the Haryana State Co-operative Apex Bank Limited (HARCO) under 'State Interest Subvention Scheme' while the scheme was launched with a view to provide relief in interest liability to the loanee members of Primary Agriculture Co-operative Societies (PACS).

(Paragraph 2.5.9.2)

Haryana State Co-operative Apex Bank Limited and Haryana State Co-operative Agriculture and Rural Development Bank had not paid the amount on account of retirement of share capital amounting to ₹ 7.67 crore.

(Paragraph 2.5.9.3)

2.5.1. Introduction

The Cooperation Department was established to cater to the needs of co-operative movement in a useful and effective way. The co-operative movement covers a vast area of economic activities both in the rural and urban areas. The main functions and duties of the Department include registration of co-operative societies, amalgamation and bifurcation of societies, general supervision, inspection and audit of co-operative societies, winding up and liquidation of the weak co-operative societies, holding of elections of management committees of societies. The Department also provides short term and long term loans for agriculture and equipment, provides storage godown facilities in rural areas, loans for housing and infrastructure in rural and urban areas, etc. through co-operative credit and service societies. The Department had been successful in increasing the number of co-operative societies as it increased to 35,622 at the end of 2011-12 from 33,766 at the beginning of 2008-09.

2.5.2. Organisational set-up

The Additional Chief Secretary to Government of Haryana, Cooperation Department is the administrative head at the Government level and is responsible for implementing policies and programmes of the Department. The Registrar, Co-operative Societies (RCS) is the head of the Department. The RCS is assisted by four Additional Registrars, two Joint Registrars, two Deputy Registrars and one Chief Auditor at Directorate. The Department has its operational offices at zone level and sub-division level headed by six Deputy Registrars and 31 Assistant Registrars respectively. Further, there are eight audit circle offices and one training institute at Rohtak.

2.5.3. Audit objectives

The audit objectives were to evaluate whether:

- planning was proper for carrying out various activities of the Department;
- the financial management was effective, efficient and economical;
- audit and inspection of co-operative societies was regular and yielded effective results;
- implementation of the schemes was efficient, effective and economical;
- human resource management for implementation of schemes was efficient; and
- internal control system and monitoring system was in place and operating effectively and efficiently.

2.5.4. Scope and methodology of Audit

Audit of Working of the Department for the period 2008-13 was conducted during March-June 2013 by test check of records in the office of RCS and 16 selected field offices i.e. two out of six (33 *per cent*) Deputy Registrars, Co-operative Societies located at Karnal and Rohtak, 11 out of 31 (35 *per cent*) offices of Assistant Registrars, Co-operative Societies[43] (ARCS), two out of eight (25 *per cent*) audit circle offices at Karnal and Rohtak and one training institute at Rohtak. The selection of field offices was made by adopting the cluster method of sampling. An entry conference was held on 8 May 2013 with the Additional Chief Secretary to Government Haryana, Cooperation Department wherein the audit objectives, criteria, sample and scope of audit were discussed. Audit conclusions were drawn after requisitioning records, analysis of available data by issuing audit memos, questionnaires and obtaining response of the departmental functionaries at various levels. An exit conference was held on 23 October 2013 with the Additional Chief Secretary (ACS), Cooperation Department where the audit findings were discussed. The replies of the Department and deliberations of the exit conference have been suitably incorporated in the report.

2.5.5. Audit criteria

The audit criteria were derived from the following sources:

- Annual Action Plans of the Department.
- The Haryana Co-operative Societies Act 1984 and the Haryana Co-operative Society, Rules 1989.
- Guidelines of Government for implementation of various schemes and instructions issued by RCS from time to time.

Audit findings

2.5.6. Planning

The Department had been preparing annual programmes of subscribing share capital, advancing loans and financial assistance of providing rebate on interest rate to cooperative societies and prepared budget estimates for this purpose. Audit noticed that the annual plans were not based on any survey or feedback from the financial institutions providing crop loans. As a result of this, the budget estimates were deficient and the Department had to seek funds through revised estimates. Further, approved outlay for Eleventh Five Year Plan (2007-12) was ₹ 73.50 crore whereas actual expenditure during this period was ₹ 478.44 crore, which was 6.51

[43] ARCS: (i) Bahadurgarh, (ii) Gohana, (iii) Jhajjar, (iv) Jind, (v) Karnal, (vi) Narwana, (vii) Panipat, (viii) Safidon, (ix) Sonepat, (x) Rohtak and (xi) Yamuna Nagar.

times of the approved outlay. The department had not prepared any plan to revive 17,985 sick co-operative societies or their winding up. Concrete planning was not made to conduct the audit of co-operative societies. As such, there was lack of adequate planning in the Department.

The RCS while admitting (October 2013) the facts stated that planned expenditure had increased because some schemes viz. share capital to dairy federation, interest rebate scheme, loan to co-operative sugar mills, interest subvention schemes, etc. were implemented after approval of Eleventh Five Year Plan. The fact, however remains that the planning of the Department was on adhoc basis.

2.5.7. Financial management and budgetary control

2.5.7.1 Budget provision and expenditure

Paragraph 5.3 of the Punjab Budget Manual as adopted by the Haryana State provides that the budget estimates of ordinary expenditure should be framed as accurately as possible. All items of expenditure that can be foreseen should be provided for and included under the proper sub head. The position of budget provision and expenditure during 2008-13 is given in Table 2.5.1.

Table 2.5.1: Showing details of budget and expenditure during 2008-13

(₹ in crore)

Year	Budget estimates	Revised estimates	Actual expenditure	Excess (+)/ savings (-) with reference to budget estimates	Percentage of variation with reference to budget estimates and expenditure
2008-09	105.68	217.69	217.06	(+) 111.38	105
2009-10	66.13	170.21	124.25	(+) 58.12	88
2010-11	140.72	230.63	224.66	(+) 83.94	60
2011-12	237.02	387.28	373.55	(+) 136.53	58
2012-13	249.67	500.41	486.61	(+) 236.94	95

Source: Data compiled from the information supplied by the Department

The variation between the budget estimates and actual expenditure ranged between 58 and 105 *per cent*. Variation in budget estimates and revised estimates were mainly because of non-making provision for pay arrears, share capital in Haryana Dairy Development Federation Limited and loans to Co-operative sugar mills in the original budget and introduction of Interest Subvention Scheme in the middle of the year. Further, budget estimates for plan schemes were not made properly because as against the original budget provision of ₹ 351.50 crore, an expenditure of ₹ 824.30 crore was incurred during 2008-13.

The RCS stated during the exit conference that utmost care would be taken to minimize the variation between budget estimates and actual expenditure in future.

2.5.7.2 Retention of funds outside the Government Account

The Registrar, Co-operative Societies had transferred an amount of ₹ 35.25 crore after drawing from treasury between March 2006 and March 2010 to four[44] ARCSs for making onward payment to District Central Co-operative Banks which were designated as Project Implementing Agencies (PIAs) under the Integrated Co-operative Development Project Scheme. The projects were completed between September 2010 and December 2012 with total cost of ₹ 34.61 crore leaving an unspent balance of ₹ 0.64 crore with PIAs. The unspent funds were required to be deposited in Government Account. Neither the implementing agencies had deposited the unspent balance in Government account nor the Department had asked the implementing agencies to refund the unspent balances.

The RCS while admitting the facts stated during the exit conference that unspent amount lying with PIAs would be deposited in the Government Account.

2.5.7.3 Excess release of subsidy and irregular utilisation of unspent amount

With a view to promote awareness amongst management committee members of the co-operative societies and to equip them with the management activities, a scheme named 'Member Education and Leadership Training' was implemented through Haryana State Co-operative Development Federation Limited (HARCOFED). As per provisions of the scheme, salary of the staff appointed to impart training besides stipend to the participants was to be reimbursed to HARCOFED. A budget provisions of ₹ 12.50[45] crore was made under the scheme during 2008-13.

Similarly, with a view to project proper image of co-operative movement, a scheme 'Publicity and Propaganda' was being implemented by the Department. For this purpose, publicity literature like booklets folders posters, leaf lets, etc. were being published by HARCOFED. An amount of ₹ 3.55[46] crore was released to HARCOFED under the scheme during 2008-13.

The RCS had drawn the entire budgetary allocations from treasury every year and paid to HARCOFED and the amount was shown as final expenditure in accounts. Audit noticed that actual expenditure on salary was ₹ 10.23[47] crore under Member Education and Leadership Training Scheme during 2008-13 while expenditure on Publicity and Propaganda was ₹ 0.84[48] crore. The balance amount ₹ 4.98 crore

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[44] (i) Faridabad, (ii) Jind, (iii) Mohindergarh and (iv) Yamuna Nagar

[45] 2008-09: ₹ 1.80 crore, 2009-10: ₹ 2.50 crore, 2010-11: ₹ 3 crore, 2011-12: ₹ 3 crore and 2012-13: ₹ 2.20 crore

[46] 2008-09: ₹ 0.50 crore, 2009-10: ₹ 0.75 crore, 2010-11: ₹ 1 crore, 2011-12: ₹ 0.50 crore and 2012-13: ₹ 0.80 crore

[47] 2008-09: ₹ 1.97 crore, 2009-10: ₹ 2.18 crore, 2010-11: ₹ 2.27 crore, 2011-12: ₹ 1.73 crore and 2012-13: ₹ 2.08 crore

[48] 2008-09: ₹ 0.18 crore, 2009-10: ₹ 0.16 crore, 2010-11: ₹ 0.17 crore, 2011-12: ₹ 0.19 crore and 2012-13: ₹ 0.14 crore

was required to be refunded in the Government Account but HARCOFED utilized these funds for making payment of salary of the staff of press run by them and on contingency, postage, rent, office expenses, etc. which was not covered under the schemes.

The RCS stated during the exit conference that the expenditure was incurred for making payment of salary of printing press staff as press was part and parcel of HARCOFED. The reply was not convincing as there was no provision for payment of salary of printing press staff from the scheme funds.

2.5.7.4 Non-recovery of audit fee

Rule 80 (1) of the Societies Rules, 1989 provides that every co-operative society shall pay to the Government a fee for the audit of its accounts of each year in accordance with the scales fixed by RCS. Audit noticed that audit fee amounting to ₹ 4.94 crore was outstanding against co-operative societies as on 31 March 2013 and audit fee scales had not been revised since 2001.

While admitting the facts, the RCS stated during the exit conference that efforts were being made to recover the audit fee from co-operative societies with the help of co-operative banks. The RCS also stated (October 2013) that for revision of audit fee, no time limit had been prescribed in the Act/Rules. It was further stated that a proposal for revision of audit fee was under consideration of the Government.

2.5.7.5 Rejection of bills by treasury

With a view to avoid rush of bills at the treasury office in the last week of the financial year, the Finance Department had issued instructions in February 2012 stating that no bills would be accepted at treasury during the last three working days of the financial year and treasury would dispose of only pending bills during these days.

The office of RCS had prepared 10 bills for drawal of funds from treasury on account of subscription of share capital, advancing loan and payment of subsidy to co-operative societies involving ₹ 2.62 crore on 30 and 31 March 2012 but these bills were rejected by the Treasury Officer due to delayed submission of bills. Further, out of 10 bills, the delay was on the part of RCS's office in submission of bills in respect of five bills of ₹ 0.33 crore as the sanctions were accorded by the Government between 5 January and 13 March 2012. Besides, the Government had also taken much time in five cases of ₹ 2.29 crore in according sanction after the receipt of request from the RCS's office. Thus, rejection of bills resulted in lapse of funds.

While admitting the facts during the exit conference, the ACS directed the departmental officers to send the bills to the treasury within the specified period in future.

2.5.7.6 Negligible return from share capital in co-operative societies and outstanding loan

The amount invested by the Department as share capital and loans advanced to co-operative societies during 2008-13 are shown in Tables 2.5.2 and 2.5.3.

Table 2.5.2: showing details of share capital subscribed

(₹ in crore)

Year	Opening balance	Share capital subscribed during the year	Total share capital	Share capital retired during the year	Closing balance
2008-09	492.30	34.35	526.65	7.62	519.03
2009-10	519.03	17.33	536.36	9.47	526.89
2010-11	526.89	11.36	538.25	8.31	529.94
2011-12	529.94	14.31	544.25	9.00	535.25
2012-13	535.25	69.45	604.70	10.63	594.07

Source: Data supplied by the Department

The investments in share capital in co-operative societies had increased from ₹ 492.30 crore at the beginning of 2008-09 to ₹ 594.07 crore at the end of 2012-13. However, returns from these investments were negligible (₹ 1.36 crore during 2011-13) while the Government paid interests at an average rate of 7.43 to 9.73 *per cent* on its borrowing during 2008-13. Further, the Department had not maintained consolidated data on the amount of share capital redeemable. The department admitted (October 2013) the facts and stated that efforts are being made to ensure the recovery of amount due and receipt of dividend from cooperative Societies.

Table 2.5.3: Showing details of loan advanced

(₹ in crore)

Year	Opening balance	Amount of loan advanced during the year	Total loan advanced at the close of the year	Amount repaid during the year	Balance at the close of the year
2008-09	503.41	148.02	651.43	27.29	624.14
2009-10	624.14	90.99	715.13	14.84	700.29
2010-11	700.29	65.51	765.80	12.62	753.18
2011-12	753.18	205.48	958.66	43.79	914.87
2012-13	914.87	204.37	1119.24	142.88	976.36

Source: Data supplied by the Department

The balance of loan increased from ₹ 503.41 crore at the beginning of 2008-09 to ₹ 976.36 crore at the close of 2012-13. The Department did not have the records which showed accrued amount to be recovered from loanee societies. As a result, position of recovery of due amount at macro level could not be ascertained in audit.

The RCS stated during the exit conference that the co-operative societies were unable to pay dividend due to losses incurred by them while the ACS stated that objective of co-operative movement was to make co-operative societies self-sustainable and generate employment so that they may earn profit. ACS further stated that the financial assistance would be provided to co-operative societies after reviewing their financial position in future.

2.5.7.7 Rehabilitation of co-operative Sugar Mills

Government waived off outstanding interest as on 31 March 2007 on loans advanced to co-operative sugar mills with the condition that principal amount of loan would be converted into equity share capital on 1 April 2007. The share capital, if retired, a special dividend at the rate of 18 *per cent* per annum on the paid up value of share capital so retired for the period from the actual date of contribution of share capital till its retirement, should be payable. Further, the sugar mills were required to turn around from losses into profit within a period of three years i.e. by end of 2009-10; by taking necessary measures to increase operational efficiencies. In case the mills were not able to turn around in profit by the end of financial year 2009-10, the concession of waiving off of interest and conversion of loan to share capital would be treated as null and void ab-initio. Loan amounting to ₹ 284.63 crore pertaining to nine co-operative sugar mills was converted (March 2007) into share capital and interest of ₹ 181.87 crore was waived off but the mills did not turn around into profit. The loan amount converted into share capital had not been retired as of July 2013. The Department had not taken any action to declare the concession given earlier as null and void.

The RCS admitted the facts and stated (October 2013) that the sugar mills were not in a position to redeem the share capital and declare dividend due to higher cost of production than sale price of sugar. It was assured during the exit conference that sugar mills would be directed to take adequate steps to make these mills economically viable.

2.5.7.8 Non recovery of minimum return on share capital

The Finance Department had issued guidelines (October 2003) for minimum rate of return at the rate of four *per cent* per annum on the share capital contributed by the State Government in Public Sector Undertakings (PSUs) and Co-operative Societies. Scrutiny of records of test checked ARCSs showed that funds ranging between ₹ 252.43 crore and ₹ 292.64 crore were invested in co-operative societies and minimum return worked out to ₹ 55.89 crore during 2008-13 but there was no return from these societies.

Besides, the Government had also subscribed share capital ranging between ₹ 13.07 crore and ₹ 28.32 crore in Haryana Dairy Development Co-operative Federation Limited during this period. The Federation had not paid any dividend, the minimum return worked out to ₹ 5.04 crore. Thus, non-adherence of guidelines issued by the Finance Department had resulted in non-realization of minimum return of ₹ 60.93[49] crore. Seven[50] ARCS admitted the non-recovery of

[49] ₹ 55.89 crore + ₹ 5.04 crore

[50] (i) Bahadurgarh, (ii) Jind, (iii) Jhajjar, (iv) Narwana, (v) Safidon, (vi) Sonipat and (vii) Yamuna Nagar.

minimum returns and stated that they were not aware about the instructions of the Finance Department.

The RCS admitted the facts and stated (October 2013) that due to weak financial position and accumulated losses, co-operative institutions were not in position to ensure minimum return on share capital. It was also stated that the Department was doing sincere efforts to get the minimum return/ dividend on share capital. As regards awareness of ARCSs about the instructions of the Finance Department, the ACS directed the RCS during the exit conference to impart proper training to field staff to avoid such lapses.

2.5.7.9 Redemption of share capital of co-operative societies

Section 46 provides that the State Government may subscribe to the share capital of a co-operative society. The share capital is subscribed with the condition that the share capital would be redeemed within a certain period. The Department had not maintained any record or register to work out the amount to be recovered from each society on account of redemption of share capital. As a result, position of due amount on account of redemption of share capital in the State could not be ascertained in Audit.

It was, however, observed that share capital amounting to ₹ 25.65 crore was due for redemption as on 31 March 2005 from the seven[51] co-operative sugar mills. The Co-operative sugar mills had not deposited the due amount on account of redemption of shares in the Government Account. A further extension was granted by the State Government in May 2009 for the redemption of shares upto the year 2011-12. The share capital was, however, still recoverable (July 2013).

The RCS admitted the facts and stated (October 2013) that the sugar mills were not in a position to redeem the share capital due to higher cost of production and lower selling price of sugar. It was also stated that efforts would be made to recoup the losses by setting up cogeneration plants and distilleries in sugar mills.

2.5.7.10 Transfer of Government land to HAFED

As per provisions of Section 46 of Haryana Co-operative Societies Act 1984 and Rules 1989, the State Government may subscribe share capital, advance loan and provide financial assistance to the co-operative societies. The Department decided (June 2008) to transfer the entire land owned by the Department at Panniwala Mota including moveable and immoveable assets on the land to Haryana State Co-operative Supply and Marketing Federation Limited (HAFED) at a token price of ₹ one. Accordingly, the State Government on 18 August 2008 also accorded the approval.

It was observed that the HAFED was a co-operative society and transfer of land without any consideration was against the provisions (Section 46) of the Haryana

[51] (i) Gohana: ₹ 0.03 crore, (ii) Jind: ₹ 3 crore, (iii) Kaithal: ₹ 5.63 crore, (iv) Meham: ₹ 9.09 crore, (v) Palwal: ₹ 2.78 crore, (vi) Panipat: ₹ 3.06 crore and (vii) Sonipat: ₹ 2.06 crore.

Co-operative Societies Act, 1984. The State Government should have got the value of the land assessed and adjusted the same in the accounts of HAFED in the form of share capital/loan so as to get return from this land in the form of dividend or interest.

The ACS admitted during the exit conference that transfer of land was against provisions of the Section 46 of Haryana Co-operative Societies Act 1984 and directed the RCS to take immediate corrective action in the matter.

2.5.7.11 Non-adherence to purchase procedure

The Government ordered (May 2005) that the purchases valuing above ₹ 30 lakh should be made by the High Powered Purchase Committee. Rate contract of the items were also to be decided by this committee.

Under the scheme 'Assistance to Women Dairy Co-operatives', a Milk Tester Machine (costing ₹ 0.30 lakh each) was to be provided to women co-operative societies. The societies having more than 45 members were also to be provided Automatic Milk Collection Unit (valuing ₹ 1.25 lakh each). An amount of ₹ 5.68 crore was drawn from Treasury on the basis of budgetary allocation during 2008-13 by the Department and the same was paid to Haryana Dairy Development Co-operative Federation Limited which further transferred the funds to the Milk Unions who procured the equipments at their own level. An expenditure of ₹ 5.42[52] crore had been incurred by the Federation and balance ₹ 0.26 crore had been deposited (August 2013) in Government account.

Since the entire cost of the equipment was to be borne by the Government, the purchases of these equipments should have been made through High Powered Purchase Committee as the total value of equipments purchased each year was more than ₹ 30 lakh. As such, the Department had purchased the machines without following the prescribed procedure.

The ACS while admitting the facts during the exit conference stated that the purchases should have been made through the High Powered Purchase Committee as per instructions of the Government.

2.5.8. Audit and inspection of co-operative societies

2.5.8.1 Audit of co-operative societies

Section 95 of the Haryana Co-operative Societies Act, 1984 provides that every society shall get its accounts audited at least once in each year by a person authorized by the RCS. The Department had not evolved any system for submission of final accounts by the co-operative societies to the Department. As a

[52] 2008-09: ₹ 1 crore, 2009-10: ₹ 1 crore, 2010-11: ₹ 1.50 crore, 2011-12: ₹ 1.24 crore and 2012-13: ₹ 0.68 crore

result, it could not be ascertained as to how many societies had prepared their final accounts.

There were 33,766 registered societies upto 2008-09 which had increased to 35,622 societies by the end of March 2012. During audit, it was noticed that the number of societies audited ranged between 13,810 (41 *per cent*) and 16,852 (47 *per cent*) during 2008-09 to 2011-12. The Department did not have any manual of audit to facilitate preparation of department's work plans for audit of societies. No audit planning was done to cover all the auditable units in a specific time frame. Further, no roster/ programme registers was maintained to monitor the coverage of all societies for audit. The Department had not fixed any norms to work out the number of mandays required for audit of each society.

The RCS admitted the facts and stated (October 2013) that main reason for audit remaining in arrears was non-availability of records as a large number of societies were under winding up process since long. Necessary directions had, however, been issued to all Deputy Registrar, Co-operatives Societies (DRCS) for finalization of the process of winding up of these societies.

2.5.8.2 Non-compliance of audit reports

Section 96 of the Act provides that an audit report including statement of violation of law or rules or bye laws any sum kept outside the accounts, any deficiency or loss which requires further investigation, etc would be submitted to the co-operative society and to the Registrar. A co-operative society shall be afforded by the Registrar an opportunity of explaining any defects or irregularities pointed out by the auditor and thereafter the society shall remedy such defects within 90 days and irregularities and report to the Registrar about the action taken by it. During test-checked ARCS offices it was noticed that ARCS received 12,981 audit reports from the auditors and issued to the management of the societies during 2008-13. The compliance of 1,518 reports (12 *per cent*) was made and 11,463 reports were pending for compliance at the end of March 2013. An analysis further showed that compliance by societies under four[53] ARCSs was negligible as against issue of 2,322 reports during 2008-13, compliance was made in respect of only one report although the audit reports pointed out important irregularities such as non-maintenance of records, non-maintenance of register of members, non-holding of annual meetings of management committees, non-production of vouchers, etc. Further, details of audit reports pending compliance prior to 2008-09 were not available with ARCSs. The RCS had not evolved any system to monitor the compliance of audit reports in the form of returns from ARCSs, as a result, RCS office was not aware about the compliance of audit reports.

The RCS admitted the facts and stated (October 2013) that instructions had been issued to all the Audit Officers in the State to monitor the compliance of audit observations by the societies concerned.

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[53] (i) Bahadurgah, (ii) Jind, (iii) Jhajjar and (iv) Narwana

2.5.8.3 Inspection of co-operative societies

Section 97 of the Haryana Co-operative Societies Act 1984 provides that Registrar or any person authorised by him may inspect co-operative societies. Targets of inspection of co-operative societies were not achieved by test checked ARCSs and DRCSs offices ***(Appendix 2.21)***. As against the target of inspecting 771 societies by DRCS during 2008-13, only 400 societies were inspected showing shortfall of 48 *per cent*. Like-wise, as against the target of inspecting 43,834 societies by ARCS during 2008-13, only 31,458 societies were inspected leaving shortfall of 28 *per cent*. It was further noticed that DRCS Karnal did not inspect even a single co-operative society during 2011-13. Thus, the Department did not ensure proper functioning of the societies.

The RCS stated (October 2013) that the targets of inspection of cooperative societies could not be achieved due to shortage of staff. The ACS stated during the exit conference that this statutory duty should have been done and further directions would be issued for conducting inspection of co-operative societies.

2.5.8.4 Societies under winding up process

Section 105 of the Act provides that if the Registrar after conducting audit under Section 95, holding inquiry under Section 98, conducting inspection under Sections 97 or 99 or receiving an application regarding winding up from the members of the society is of the opinion that society ought to be wound up, may issue an order directing it to be wound up. The proceedings for winding up of a society should be completed within a period of three years. After the orders of winding up, a liquidator is appointed, who makes a report to the RCS. The Registrar, after considering the report, may order cancellation the registration of the society. It was, however, noticed that 17,985 societies were under winding up process as on 31 March 2012 in the State. In test checked ARCS, it was noticed that 1,589 co-operative societies were brought under winding up during 2008-13. Liquidators were also appointed in respect of these societies. Despite the lapse of three years from the year of appointment of liquidator, final report in respect of 1,712 co-operative societies had not been received as of June 2013. As a result of this, the number of societies had increased and department had to put its manpower on defunct societies.

Six[54] ARCS while admitting the facts stated (May-June 2013) that delay in submission of final reports by the liquidators was due to transfer of liquidators, non-availability of whereabouts of management committees, delay in discharging assets and liability by societies, etc. The ARCS also assured that liquidator would be pursued to submit their reports so that the winding up the societies be done. The RCS stated during the exit conference that major backlog was expected to be cleared by March 2014.

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[54] (i) Bahadurgarh, (ii) Jind, (iii) Narwana, (iv) Rohtak, (v) Safidon and (vi) Sonipat

2.5.9. Implementation of schemes

The department had implemented 21 major schemes during 2008-13 as shown in ***Appendix 2.22***. The schemes mainly relate to subscription of share capital, providing loan and financial assistance to co-operative societies, incentives to farmers, etc. The audit findings regarding implementation of Loan to Co-Operative Sugar Mills for Payment of Cane Price, Interest Subvention Scheme, Share capital to Credit Co-operatives Societies (Long Term Operation) are discussed in the following paragraphs.

2.5.9.1 Loan to Co-Operative Sugar Mills

(i) The Co-operative Sugar Mills crush the crop of sugarcane and make payment to the farmers. Since the co-operative sugar mills were not financially sound, the Government provided financial assistance in the shape of loan to these sugar mills under the scheme 'Loan to Co-Operative Sugar Mills for Payment of Cane Price'. The State Government granted loans of ₹ 42.50 crore to nine co-operative sugar mills during 2009-10 with the condition that the loan would be repaid after 12 months in five equal annual installments with nine *per cent* interest per annum. It was also stipulated that further loan would not be sanctioned if previous loan was not repaid.

These co-operative sugar mills had not started repayment of loan 12 months after the disbursement as per terms and conditions of loan yet the department continued to release loans of ₹ 225.90 crore to the societies during 2010-13 in-violation of terms and conditions. The co-operative sugar mills had intimated to the RCS that the repayment of loan could not be made due to their tight financial position. The department should have assessed the repaying capacity of the mills before sanctioning loan particularly when they were not repaying earlier loans.

(ii) An amount of ₹ 2.10 crore was paid (September 2010) under the scheme as loan to Jind Co-operative Sugar Mill, Jind for making a payment to the contractor in an arbitration case and ₹ 2.88 crore (September 2011) as loan to Co-operative Sugar Mill, Bhuna for making payment to liquidator on account of enhanced compensation to land owners. Repayment of loan and interest had not been made by these Co-operative Sugar Mills. Since this scheme was launched for making remunerative price to cane growers only, the expenditure out of the scheme funds was not the legitimate charge on the scheme.

The RCS stated (October 2013) that the Department had assessed the financial position of the sugar mills before sanction of the loan but Department had to provide loan to sugar mills for the payment to cane growers because sugar mills did not have sufficient funds. It was further stated that efforts were being made to make sugar mills self-dependent by setting up cogeneration of plants and distilleries in sugar mills. The reply was not convincing as adequate steps needs to be taken either to bring these mills into profit or shut down these mills as they are heavy burden on the State exchequer.

2.5.9.2 Inadmissible payment to HARCO bank under State Interest Subvention Scheme

With a view to provide relief in interest liability to the loanee members of Primary Agriculture Co-operative Societies (PACS) and to inculcate the habit of timely repayment of loan among loanee members, a scheme namely "State Interest Subvention Scheme, 2009" was launched in August 2009. Under the scheme, a rebate in interest at the rate of two *per cent* (reduced to one *per cent* in 2010-11) was to be given to loanee members who repay loans on or before due date. The Prabandhaks of PACS would prepare a list of borrowers eligible under the scheme, submit the same to the Managing Director of the concerned Central Co-operative Bank, which would forward the same to Government through Managing Director, Haryana State Co-operative APEX Bank Limited (HARCO Bank) and RCS for release of interest subvention. The rebate amount was to be credited to the loan account of the eligible beneficiaries. An amount of ₹ 34.61 crore was paid to the beneficiaries through HARCO Bank during 2009-12 under the scheme.

Audit noticed that an amount of ₹ 7.55 crore was drawn by RCS from treasury (March 2011: ₹ 4.39 crore and August 2011: ₹ 3.16 crore) and was paid to HARCO Bank to compensate the losses incurred by the bank on crop loan advances refinanced by them to Primary Agriculture Co-operative Societies at concessional rate of interest.

The scheme was meant for providing benefit to loanee members and not to banks. The HARCO bank was refinancing the financial institutions at concessional rate irrespective of the fact as to whether this particular scheme was in operation or not. The payment of compensation to HARCO Bank from scheme funds was irregular as there was no provision in the scheme for payment of compensation to banks.

The RCS stated (October 2013) that the amount was paid to HARCO bank with the approval of the Chief Minister to compensate the loss to the bank. The reply was not convincing as there was no provision in scheme guidelines to compensate the loss suffered by the bank on this account.

2.5.9.3 Non-recovery of share capital and dividend under Long Term Operation Scheme

The scheme 'Long Term Operation Fund' provides for making investment of share capital in HARCO Bank and Haryana State Co-operative Agriculture and Rural Development Bank. Under the scheme, share capital was required to be retired in 12 years after a moratorium period of three/two years in 9/10 equal annual installments and dividend was also payable as per bye-laws of the society. An amount of ₹ 32.52 crore was paid to these banks as share capital during 2007-11, of which an amount of ₹ 7.67 crore was due for recovery.

Audit noticed that the Department had not received the due amount from the banks so far (July 2013). The Department had not made appropriate efforts to get amount of redemption of shares.

The RCS admitted the facts and stated (October 2013) that due to weak financial position, the banks were not in a position to redeem the due amount. The RCS further stated during the exit conference that the matter had since been taken up with banks concerned for redemption of the due amount.

2.5.10. Manpower management

2.5.10.1 Shortage of staff

The Department has a critical role of audit, inspection and inquiry of co-operative societies, recovery of loans and advances and retired share capital subscribed to the co-operative societies besides implementation of various schemes to make the co-operative movement a success. Any shortage of staff adversely affects the working of the Department. The Department had the sanctioned strength of 2,387 posts, out of which 1,425 were filled up and 962 posts remained vacant as on 31 March 2013. Thus, there was a shortage of staff to the extent of 40 *per cent* at the end of 31 March 2013. There was shortage of 183 posts in respect of audit staff.

Similarly, vacancies in the cadre of inspecting staff was substantial i.e. 42 *per cent* which affected the inspection work and recovery of loan and interest on loans, recovery of retired share capital, audit fee and overall working of the co-operative societies.

The RCS stated (October 2013) that the Department had sent the requisition of staff to the Government from time to time for filling up the vacant posts.

2.5.10.2 Training

The CCM, Rohtak was established in 1960. The Centre imparts training to the employees of co-operative institutions, primary co-operative societies and Sub Inspectors of the Department. As against the budget provision of ₹ 2.14 crore, an expenditure of ₹ 1.59 crore was incurred during 2008-13 by CCM.

The CCM was providing Diploma in co-operative Management to various employees of the Department and co-operative societies for six months (24 weeks) in two batches in a year. After the completion of the course, a Diploma Certificate is provided to the successful trainees. The Centre had capacity of imparting training to 240 trainees in a year which was reduced due to transfer of building of the Centre to Haryana State Agricultural Marketing Board (HSAMB) for establishment of an agro mall in May 2009. The details of trainees planned for imparting training and actually trained during 2008-13 are given in Table 2.5.4.

Table 2.5.4: Showing the detail of capacity utilization of CCM

Year	Trainees planned for training	Number of trainees nominated by RCS and imparted training	Shortfall with reference to planned number of trainees	Shortfall in percentage
2008-09	240	117	123	51
2009-10	130	115	15	12
2010-11	140	84	56	40
2011-12	140	70	70	50
2012-13	120	108	12	10
Total	**770**	**494**	**276**	**36**

Source: Data supplied by the Department

The above table shows that there was 36 *per cent* shortfall with reference to plan in imparting training due to nomination of less number of candidates by the RCS which affected capacity building of the Department.

The RCS stated (October 2013) that due to transfer of CCM building to HSAMB, training programmes were affected.

2.5.10.3 Transfer of CCM Building to HSAMB

The CCM was running near sector-14 Rohtak in four acres of land having well furnished classrooms, hostel, administrative block, etc. In a meeting held in November 2008 under the Chairmanship of the Chief Minister, it was decided that the Department would transfer entire land of CCM to HSAMB. In lieu of this, HSAMB would make available three storied building near old bus-stand consisting of 22 rooms having carpet area of approximately 5000 sq feet for the CCM. In addition, HSAMB would arrange the purchase of land measuring two acres in institutional area of Sector 4-5 Rohtak and would also construct a building for CCM equivalent to the built up area to be transferred. The Government accorded its approval (December 2008) with the condition that issue of transfer of aforesaid land would be subject to ex-post facto approval of Council of Ministers and concurrence of Finance Department. The building of CCM was, however, vacated in May 2009 without ex-post facto sanction of Council of Ministers and concurrence of the Finance Department. The CCM was shifted in the building of HSAMB, where the capacity for imparting training was much less and the accommodation was also insufficient, resulting in providing training to less number of candidates in succeeding years. Despite the lapse of five years, HSAMB had not fulfilled its commitment of construction of building for CCM. Even the land has not been got allotted from HUDA by HSAMB.

The RCS admitted the facts and stated (October 2013) that the matter regarding transfer of land by HUDA was under active consideration.

2.5.10.4 Retention of receipt from trainees outside the Government Account

Treasury Rules provide that all moneys received by or tendered to Government or public moneys raised or received by the State Government shall without undue delay be paid in full into the treasury or into the bank and shall be included in the Consolidated Fund of State. Any moneys received by departments on account of the revenues of the State should not be kept out of the Consolidated Fund of State.

The RCS had issued instructions (August 1997) on the basis of recommendations of the committee of senior officers to collect ₹ 1,000 per trainee from the institutions sponsoring their employees for basic training programme. The Principal of CCM was authorized to utilize the same on day to day expenses of the Centre which was irregular. An amount of ₹ 35.09 lakh (including interest: ₹ 8.07 lakh) was collected from the sponsoring institutions between August 1997 and March 2013 by the CCM. Out of this, an amount of ₹ 20.64 lakh was utilized and balance amount of ₹ 14.45 lakh was lying with the CCM in saving bank account, in cash and in the shape of fixed deposit. Retention of money collected from sponsoring institutions in the bank account outside Consolidated Fund of the State was in violation the Treasury Rules.

The RCS stated (October 2013) that since the Government had not been making adequate budget to provide basic amenities to trainees at CCM, instructions for making subscription/contribution of ₹ 1000 per trainee by institutions were issued in August 1997. It was further stated that the amount was spent by constituting a co-operative society. The reply was not convincing as the CCM was a Government institution and not a co-operative society. Moreover, the bank account was also opened in the name of Principal, CCM Rohtak.

2.5.11. Monitoring and Internal Control

2.5.11.1 Internal control

Internal controls provide reasonable assurance to the department and compliance of applicable rules and regulations. It was observed that a proper internal control system was lacking in the Department in respect of various aspects such as recovery of retired share capital, recovery of loan, minimum dividend on share capital, conducting audit and follow-up of audit observations of co-operative societies as discussed in foregoing paragraphs.

2.5.11.2 Internal audit

To improve the overall quality of work, reduce errors/omissions and irregularities, there should be an internal audit system in all the Government Departments. It was, however, noticed that there was no internal audit system in the Department. Further, the Department was not serious towards audit observations of the office of Principal Accountant General (Audit) Haryana as discussed below:

After periodical inspections, the Principal Accountant General (Audit) issues Inspection Reports (IRs) to the heads of offices audited with copies to the next higher authorities. The executive is expected promptly rectify the defects and omissions pointed out and report compliance to the Principal Accountant General (Audit) within four 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 and to finalise audit observations in the pending IRs. In the Department, 187 paragraphs of 75 IRs remained outstanding at the end of March 2013. Of these, 115 paragraphs of 47 IRs were more than six years old. Thus, the Department failed to ensure prompt and timely action on the audit observations.

The RCS admitted (October 2013) that there was no mechanism for internal audit in the Department. As regards compliance of audit observations, it was stated that replies to audit paragraphs were being prepared and would be submitted to audit shortly.

2.5.11.3 Computerisation of department

With a view to develop a strong Management Information System (MIS) for better monitoring, planning and implementation of schemes, bringing the transparency and efficiency in delivering services and information to the public and to develop integrated data base of various schemes, an IT plan was prepared in June 2006 and submitted to Information Technology Department for approval. Under the plan, the Department was to adopt the best systemic practices embedded in the time tested software packages and technology solution. It was to facilitate all stakeholders for availing of various data and hassle free services in a transparent manner. The IT plan, however, was approved only in 2012-13. Thus, the computerization of the Department has not been done and benefits of computerization remained to be derived.

The RCS stated (October 2013) that the tender document for implementation of e-governance had been prepared and tenders for the same would be called for shortly.

2.5.11.4 Non-preparation of Administrative Report

The department was required to prepare the Administrative Report showing the activities of the department every year and submit the same to the Government. The department had prepared the Administrative Report only upto 2007-08 only. In the absence of Administrative reports, the activities/performance of the department after 2007-08 could not be made public. The RCS stated during the exit conference that the Reports upto the year 2010-11 were under printing. The fact, however, remains that there were substantial delays in preparation of Administrative Reports.

2.5.11.5 Monitoring

The RCS, as head of the department, was responsible for monitoring the implementation of programmes, schemes and other activities of the Department. Despite the fact that the Department was investing funds as share capital and advancing loans to co-operative societies under different schemes, monitoring cell was not established. Further, records relating to share capital, share capital due for retirement and actually retired, dividend declared and received, loans due for recovery, etc. was not maintained by the RCS office for monitoring. Apart from this, the position of conducting of audit of co-operative societies and compliance of audit observations was not being monitored as data regarding number of audit of units conducted, outstanding audit observations, etc. was not maintained at headquarters level.

The RCS stated (October 2013) that monitoring cell was not effectively working due to shortage of staff and that the Deputy Registrar, Co-operative Societies (General) had now been assigned the work of monitoring cell to ensure proper functioning of the Department.

2.5.12. Conclusion

There was lack of adequate planning in the Department as budget estimates were deficient. Government had invested ₹ 594.07 crore in share capital in co-operative societies but returns of ₹1.36 crore from these investments were negligible during 2011-13. Similarly, the Department failed to recover retired share capital, loans and audit fee from co-operative societies. The department had not maintained consolidated data regarding redeemable share capital and accrued amount of loans to be recovered from loanees societies. Co-operative sugar mills were provided loans and share capital time and again but these mills could neither repay the loan nor interest or dividend. The targets of audit and inspection of co-operative societies were not achieved to a large extent. Shortage of staff in the department also hampered the work relating to audit and inspection. Internal control and monitoring mechanism was also weak in the Department.

2.5.13. Recommendations

The Government may consider:

- making investment in co-operative societies economically viable and also ensure recovery of loans and retired share capital;
- making the sugar mills self reliant or consider their closure if not possible to make them self reliant;
- maintenance of records regarding recovery of loans and recovery on account of redemption of share capital from societies;
- ensuring timely monitoring and planning for conducting audit and inspections of co-operative societies once in a year; and
- strengthening internal controls, monitoring mechanism and making management information system strong through computerisation.

The matter was referred to the Additional Chief Secretary (ACS), Cooperation Department in August 2013, reply had not been received. However, the audit findings were discussed with ACS, Cooperation Department during the exit conference held in October 2013.