

# **OVERVIEW**

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The Report includes two Chapters on Finance and Appropriation Accounts of the Government of Haryana for the year 2001-2002 and five other Chapters comprising 3 reviews and 31 paragraphs, based on the audit of certain selected programmes and activities and financial transactions of Government. A synopsis of findings contained in the Report is presented in this overview.

As per existing arrangement, copies of the draft audit paragraphs and Reviews are sent demi-officially to the concerned Secretaries to the State Government by the Accountant General (AG), with a request to furnish replies within 6 weeks. The Secretaries are also reminded demi-officially by the AG for replies. However, despite such efforts, no reply had been received in respect of all the 31 draft audit paragraphs and 3 Reviews as of August 2002.

### 1 Review of the State's Finances

- Revenue receipts increased from Rs 6,574 crore in 2000-2001 to Rs 7,600 crore in 2001-2002 mainly due to increase in tax revenue. Tax revenue increased from Rs 4,311 crore to Rs 4,971 crore, registering an increase of 15 *per cent* mainly due to increase in stamp duty, goods and passenger tax and registration of documents of immovable properties. The share of tax revenue (Rs 4,971 crore) and non-tax revenue (Rs 1,666 crore) in total revenue receipts was 65 and 22 *per cent* respectively in 2001-2002. Non-tax revenue increased by Rs 227 crore (16 *per cent*) during 2001-2002 over the previous year due mainly to sale of more lottery tickets, increase in interest receipts from departmental commercial undertakings, grant of mining lease by public auctions, etc.
- Revenue Deficit increased from Rs 607 crore to Rs 1,056 crore and fiscal deficit from Rs 2,265 crore to Rs 2,739 crore during 2001-2002.
- Revenue expenditure increased from Rs 7,181 crore to Rs 8,656 crore. The increase of Rs 1,475 crore (21 *per cent*) during the year was mainly due to release of increased assistance (Rs 764 crore) to Haryana Vidhyut Prasaran Nigam Limited for rural electrification.
- Out of total arrears of revenue for Rs 516 crore as of March 2002, Rs 169 crore (32 *per cent*) were outstanding for more than five years indicating unsatisfactory tax compliance.
- Interest payments (Rs 1,624 crore) consumed 33 *per cent* of tax revenue and constituted 19 *per cent* of revenue expenditure.

- Capital expenditure increased from Rs 492 crore in 1997-98 to Rs 1,467 crore in 2001-2002. However, Rs 564 crore spent on purchase of foodgrains and Rs 74 crore released as subsidy to Haryana State Minor Irrigation (Tubewells) Corporation in 2001-02 and accounted as capital expenditure did not result in asset creation.
- The Government invested Rs 62.24 crore in the Government companies and Co-operative banks and societies in 2001-2002. Dividend received from total Government investment of Rs 2,905.97 crore at the end of 2001-2002 was less than even 1 *per cent* (Rs 0.40 crore). In 12 loss making companies, where Government had invested Rs 1,034.95 crore, the accumulated losses were Rs 931.29 crore.
- The net addition to Public Debt during the year was Rs 3,068.96 crore. After meeting the capital expenditure (Rs 1,467.12 crore) and lending for development and other purposes (Rs 216.47 crore) this generated a surplus of only Rs 1,385.37 crore. After meeting the Revenue Deficit of Rs 1,055.95 crore, cash balance increased by Rs 329.42 crore.
- Total revenue received from the seven major irrigation projects was Rs 60.07 crore against the cumulative expenditure of Rs 307.91 crore. Net loss in these projects was Rs 48.05 crore after meeting the working and maintenance expenditure.
- During 1997-2002, internal debt of the State Government grew by 357 *per cent*; loans and advances from Government of India by 29 *per cent* and other liabilities by 111 *per cent*. Also debt of the State on an average increased faster than the rate of growth of GSDP.
- Assistance to different bodies/authorities increased by 113 *per cent* from Rs 314.26 crore in 1997-98 to Rs 668.46 crore in 2001-2002.
- Amount of guarantees given by the Government to Statutory Corporations and Boards, Co-operative Banks/Societies, etc. and Government Companies showed a quantum leap from Rs 6,453 crore to Rs 12,222 crore during 1997-2002, indicating a higher risk exposure.
- Ways and Means Advances obtained by the State increased from Rs 165.75 crore in 1997-98 to Rs 2,642.96 crore in 2001-2002 (1,495 *per cent*). Similarly, availing of overdraft increased from Rs 49.14 crore in 1997-98 to Rs 964.01 crore in 2001-2002 (1,862 *per cent*). Ways and Means advances of Rs 178.01 crore and overdraft of Rs 406.65 crore remained unpaid as on 31 March 2002. This reflected significant mismatch between the receipts and disbursements of the Government.

*(Paragraphs 1.1 to 1.10)*

### Indicators of financial position of the State

- Increase in negative BCR and revenue deficit during the year should be seen in the context of increase in assistance to the Haryana Vidyut Prasaran Nigam Limited. Restructuring of Haryana State Electricity Board into four companies by the State Government resulted in additional burden. Weighted average cost of debt as indicated by the ratio of interest payments to total outstanding debt is 10.5 *per cent* during the year which is very close to the rate of growth of GSDP. During the year, the interest payments increased by Rs 132 crore (9 *per cent*) over the previous year and consumed 33 *per cent* of tax revenue. Analysis also shows that during the period 1997-2002, the debt of the State had increased (on an average) at a rate faster than the rate of growth of GSDP. Increase in fiscal deficit by Rs 474 crore (21 *per cent*) was mainly due to procurement of food grains under non-plan capital expenditure mainly financed by borrowings from the commercial banks. This however, did not lead to any asset creation. This indicates that the State finances had become vulnerable to heightened borrowings. Negligible returns on investment also showed weakness of State Government's finances. Defective budgeting and inadequate control over expenditure has given rise to excess expenditure over budget estimates, substantial savings, etc. This also is not a favourable trend.

(Paragraph 1.11)

### 2 Appropriation Audit and control over expenditure

- Excess expenditure of Rs 3,982.48 crore incurred during 1998-2002 was not regularised in terms of Article 205 of the Constitution of India. The Government had not furnished explanations for excess expenditure to the Public Accounts Committee as of July 2002.
- Supplementary provisions of Rs 37.31 crore obtained in 2 cases during the year was unnecessary as the expenditure in each case was less than the original provision. In other 12 cases, while additional funds of Rs 752.24 crore were needed, supplementary grants and appropriations of Rs 887.57 crore were obtained which resulted in savings of Rs 135.33 crore.
- In 8 cases, as against the actual savings of Rs 293.84 crore, the amount surrendered was Rs 414.41 crore resulting in excess surrender of Rs 120.57 crore. Against the final savings of Rs 864.68 crore in 51 cases, Rs 876.81 crore were surrendered on the last day of the year, indicating that expenditure and budgetary controls were ineffective.

- Explanations for savings/excesses were not received for 178 (34 *per cent*) out of 525 heads/sub-heads of accounts.

(Chapter II)

### **3 Liberation and Rehabilitation of Scavengers**

Implementation of Liberation and Rehabilitation of Scavengers Scheme, was largely ineffective. Proper survey for identification of scavengers was not conducted. Several components of the scheme were fractionally implemented, while huge funds remained unutilized. The level of awareness about the schemes was not raised and there was lack of co-ordination between State Government departments and implementing agencies. Thus, the scavengers remained engaged in the most inhuman occupation despite the implementation of the scheme for 21 years. Significant points noticed during audit were as under:

- Against the unspent grant of Rs 11.49 crore, only Rs 6.21 crore (54 *per cent*) was spent during 1997-2002 leaving unspent balance of Rs 5.28 crore. Neither funds were surrendered to GOI, nor permission for utilizing the grants in subsequent years was obtained. Moreover, interest of Rs 4.03 crore earned on unspent balances was irregularly utilised on pay and allowances of staff and other office expenses.
- Although grants of Rs 3.55 crore were lying with Haryana Scheduled Castes Finance Department Corporation Limited (SCDC) as unspent in February 1997, further grants of Rs 7.97 crore were obtained during 1996-97 from GOI by sending unrealistic proposals.
- Proper survey for identification of scavengers was not conducted in 1992 and the list of scavengers had to be revised in 1995 and 1997.
- Of the 32,227 untrained scavengers, only 1,589 (5 *per cent*) were imparted training. No training in Piggery and Dairy Farming was imparted though 6,483 (53 *per cent*) out of the 12,279 beneficiaries had shown aptitude in these trades.
- Against the target of rehabilitating 15,500 beneficiaries, only 6,327 (41 *per cent*) were rehabilitated during 1997-2002. Group projects were not formed in the State for obtaining the financial assistance.
- There was lack of co-ordination between Urban Development Department and SCDC. Conversion of dry latrines into water-borne flush latrines was not undertaken by Urban Development Department.

(Paragraph 3.1)

#### **4 Integrated Audit including Manpower Management of Buildings and Roads Branch of Public Works Department**

A review on the working of Public Works Department (Buildings and Roads Branch) brought to light significant weaknesses in financial and programme management. Due to weak budgetary control mechanism, savings totalling Rs 805.49 crore during 1999-2002 were not surrendered. Establishment cost exceeded the permissible limit of 25 *per cent* of works expenditure by Rs 58.48 crore. State Government could not avail of World Bank loan and Central assistance for Haryana Highway Upgradation Project due to delay in preparation of Project Report and non-adherence to terms and conditions of the World Bank. The efficiency of the department needed a closer look. Some of the important highlights are given below:

- Against the budget provisions of Rs 909.36 crore under Revenue Head and Rs 910.88 crore under Capital Head, Rs 545.48 crore and Rs 469.27 crore respectively were spent during 1999-2002. Engineer-in-Chief prepared budget estimates without adequate data base and information. No timely action was taken to reconcile the departmental expenditure figures with Accountant General's figures.
- Due to delay in finalizing the Project Report and non-adherence to the terms and conditions, the State Government could not avail a World Bank loan of Rs 690.22 crore and Central assistance of Rs 295.80 crore, besides incurring avoidable expenditure of Rs 10.52 crore on carrying out feasibility study, preparation of detailed design, etc.
- Due to non-levy of Toll fee on newly constructed bridge on Jhajra a river on Ambala-Kalka road, Government sustained loss of revenue of Rs 2.27 crore. Similarly, Government lost revenue of Rs 1.53 crore due to non-levy of Toll fee on Rewari-Ateli-Narnaul and UP Border-Sonipat-Gohana roads.
- Premature laying of renewal coats on three roads resulted in additional expenditure of Rs 3.10 crore.
- Undue financial aid of Rs 4 crore was extended to an agency for construction of over bridge at Faridabad on Built-Operate-Transfer basis resulting in loss of interest of Rs 90 lakh and Rs 2.80 crore remained outstanding against the contractor.
- Failure of departmental officers to prevent encroachment on Government land resulted in avoidable expenditure of Rs 21.64 lakh on clearing coal and foundry slag in Samalkha town.
- Extra payment of Rs 94.49 lakh was made to a contractor on account of price variation during extended period of the work despite defaults on the part of contractor.

- Construction of village roads were sanctioned without assurance of funds. In 29 cases, Rs 2.62 crore incurred on partly constructed roads became unfruitful.

(Paragraph 4.1)

## **5 Rural Housing Schemes**

The aim of Indira Awaas Yojana (IAY) was to help construction/upgradation of dwelling units by members of scheduled castes/scheduled tribes, freed bonded labourers and rural poor below poverty line by providing them grants-in-aid. In implementing this, the State Government included a large number of ineligible families by liberalising eligibility criteria. Only about 8 *per cent* of the BPL families were covered in 5 years. Inflated figures of expenditure and physical performance were reported to GOI to avoid deduction in release of funds. Houses were constructed departmentally and material was purchased by the implementing agencies on behalf of beneficiaries without their consent and in violation of the provisions of the scheme. Large number of houses were allotted to ineligible families. The important points detected in audit were as under:

- Inflated figures of expenditure to the extent of Rs 1.70 crore under Indira Awaas Yojana and Rs 0.28 crore under Pradhan Mantri Gramodaya Yojana were reported to GOI.
- Deduction of Rs 2.62 crore was made under IAY by GOI while releasing subsequent instalments due to excess carry over of balances and late submission of proposals.
- Rs 2.91 crore were released to 1,573 ineligible families by liberalising the eligibility criteria.
- 28 and 22 *per cent* of houses constructed were not provided with smokeless *chullahs* and sanitary latrines respectively.
- Contrary to the provisions of the scheme unskilled labour was engaged for construction of houses and Rs 46 lakh was paid in 3 of the 5 test checked districts.
- In test checked districts, 936 houses were allotted to ineligible persons, involving an expenditure of Rs 1.79 crore.
- In the test checked districts, unspent balances of Rs 1.07 crore were retained by the implementing agencies instead of refunding to DRDAs.
- Monitoring the scheme at State, district and block level was weak.

(Paragraph 6.1)

## 6 Development of *Mandis* by the Haryana State Agricultural Marketing Board

A review of Haryana State Agricultural Marketing Board for providing market facilities and civil amenities to the farmers brought out ineffective management. There were savings of Rs 42.59 crore (25 *per cent*) of the budget provisions. Extra expenditure was incurred by the Board for land acquisition due to late release of funds and by not following the land acquisition procedure. *Mandis* remained non-functional due to poor assessment of demand, poor location and poor provisioning of basic amenities. Consequently the Board suffered financially. Significant points noticed in audit were as under:

- Failure to deposit Rs 36 lakh in time for acquisition of land at Charkhi Dadri for development of a *Mandi* resulted in delayed announcement of award and loss of Rs 1.19 crore.
- Extra payment of Rs 1.25 crore had to be made due to delayed release of funds by the Board for purchase/acquisition of land for Sirsa and Uklana *Mandis*.
- Rs 6.68 crore spent on development of 7 Sub-Market yards/*Mandis* during 1981-97 remained unfruitful as these were developed without any survey for demand and proper selection of sites.
- Due to absence of basic amenities like water supply, sewerage and drainage in the New Grain Market Nigdhu (Karnal), the Market Committee could not recover interest of Rs 1.06 crore from allottees.
- In case of six market committees, Rs 16.01 crore was outstanding on account of instalments of plots/booths from 325 allottees for period ranging between 3 and 19 years. Board neither resumed the plots nor forfeited the deposits.

(Paragraph 6.4)

## 7 Swaranjayanti Gram Swarozgar Yojna

- Test-check of implementation of Swaranjayanti Gram Swarozgar Yojna brought to light significant weaknesses in the implementation of programme. The target of covering 30 *per cent* BPL families in 5 years was unlikely to be achieved as only 9 *per cent* families were covered in 3 years. Only 583 self help groups out of 4,044 groups formed, took up economic activities. Adequate attention was not paid towards training the *Swarozgaris*. Rs 2.12 crore was utilised/released for the activities not covered under the scheme, to ineligible groups in



test checked districts, etc. Banks delayed finalisation of loan cases of *Swarozgaris*. Physical verification of assets created by the *Swarozgaris* was not being conducted. The vital activities such as cluster approach for facilitating *Swarozgaris* with infrastructure, raw material, distribution, technology transfer, etc. and marketing support for goods produced by *Swarozgaris* were not taken up. Initiative for special innovative projects was not taken by the State Government although the GOI had set apart 15 *per cent* of funds under Swaranjayanti Gram Swarozgar Yojna for the purpose.

*(Paragraph 6.7)*

## **8 Blocking of Government funds**

- Pandit Bhagwat Dayal Sharma Post Graduate Institute of Medical Sciences, Rohtak imported implants costing Rs 46.22 lakh without framing any policy for use of implants, which resulted in blocking of Government funds.

*(Paragraph 3.4)*

- The indoor stadium constructed by District Sports Council, Faridabad remained incomplete for want of funds and remained unutilised. Rs 70 lakh spent so far remains blocked.

*(Paragraph 3.8)*

- Shops, booths and houses constructed by Haryana Housing Board at a cost of Rs 57.03 lakh without any norms and survey remain unallotted, resulting in blocking of funds.

*(Paragraph 6.6)*

## **9. Non-utilisation of funds**

- District Rural Development Agencies, Bhiwani and Jhajjar delayed the release of funds of Rs 4.01 crore received from Government of India for reclamation of water logged and saline land resulting in non-implementation of the project.

*(Paragraph 6.8)*

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**10 Extra/avoidable expenditure**

- Delay in finalising tendered rates by the Chief Engineer, Irrigation resulted in avoidable expenditure of Rs 16.07 lakh in Narwana Water Services Division, Narwana.

*(Paragraph 4.4)*

- Haryana State Agricultural Marketing Board incurred an avoidable expenditure of Rs 1.44 crore in purchase of packed bitumen instead of bulk bitumen.

*(Paragraph 6.5)*

- Rs 1.28 crore was paid in excess as Director General Supplies and Disposals, Kolkata was not insisted upon to arrange supplies of balance allocated quantity of gunny bales at pre-revised rates.

*(Paragraph 7.2)*

**11 Excess payment**

- Treasury Officers failed to apply the required checks and made excess payment of pensionary benefits amounting to Rs 19.86 lakh.

*(Paragraph 3.3)*

- In Public Health Department, incorrect application of rates for excavation of water storage tanks for canal based water supply schemes, resulted in excess payment of Rs 1.12 crore to contractors.

*(Paragraph 4.5)*

- Without the operation of buses, 7 Depots of Haryana Roadways made excess payment of passenger tax of Rs 1.36 crore to Punjab Government for 1.37 lakh route kilometres not covered in Punjab area.

*(Paragraph 7.4)*

## **12 Unfruitful/infructuous expenditure**

- The constable drivers being in excess of vehicles, Superintendent of Police, Telecommunication, Haryana paid Rs 1.15 crore as idle wages.

*(Paragraph 3.6)*

- Rs 1.69 crore spent by the Executive Engineers of Mohindergarh Canal Water Services Mechanical Division, Narnaul and Mohindergarh Canal Water Services Division, Charkhi Dadri were rendered unfruitful due to non-availability of water.

*(Paragraph 4.3)*

- In Public Health Division, Rewari one village was included in two water supply schemes, which resulted in unfruitful expenditure of Rs 47.60 lakh incurred on defluoridation-cum-desalination plant.

*(Paragraph 4.6)*

## **13 Other points of interest**

- Director, Small Savings, misutilised the incentive/award money of Rs 1.30 crore on items not covered under the scheme of promotion of small savings.

*(Paragraph 3.7)*

- Director, Town and Country Planning failed to recover the service charges of Rs 6.93 crore from HUDA.

*(Paragraph 3.9)*

- In World Bank Project Division, Ambala Cantt. road over bridge constructed by spending Rs 2.28 crore on National Highway-I was lying unutilised due to non-construction of remaining part of over bridge by the Railways.

*(Paragraph 4.2)*

- In 9 Public Health Divisions, Rs 1.90 crore spent on pump sets, motors etc. fitted on various water works and other items were not accounted for in T&P registers.

*(Paragraph 5.1.6)*

- Thirteen Estate Officers of HUDA failed to monitor the recovery of external development charges on land released to owners after acquisition, resulting in a loss of Rs 40.55 crore.

*(Paragraph 6.10)*

- Delay in revising the rates for the sale of tender forms resulted in a loss of Rs 81.34 lakh to HUDA.

*(Paragraph 6.11)*

- Due to delay in making payment to land owners, extra interest of Rs 2.23 crore was paid by HUDA at Gurgaon and Hisar.

*(Paragraph 6.12)*

- Failure of District Food and Supply Controller, Kaithal, to deliver rice to the Food Corporation of India in accordance with terms of agreement, resulted in a loss of Rs 28.48 lakh.

*(Paragraph 7.3)*