

OVERVIEW

The Report includes two Chapters on Finance and Appropriation Accounts of the Government of Haryana for the year 2002-03 and three other Chapters comprising four reviews and 33 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 six 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 25 out of 33 draft audit paragraphs and all the four reviews as of September 2003.

1 An over view of the Finances of the State Government

- Revenue receipts of the Government increased from Rs 5,479 crore in 1998-99 to Rs 8,657 crore in 2002-03 registering increase at an average trend rate of 9.05 *per cent per annum*. The share of tax revenue (Rs 5,550 crore) and non-tax revenue (Rs 1,808 crore) in total revenue receipts was 64 and 21 *per cent* respectively in 2002-03.
- 85 *per cent* revenue came from State's own resources whereas central tax transfers and grants-in-aid contributed nearly 15 *per cent* of the total revenue
- Out of total arrears of revenue for Rs 577 crore as of March 2003, Rs 199 crore (34 *per cent*) were outstanding for more than five years indicating unsatisfactory tax compliance.
- Total expenditure increased from Rs 8,273 crore in 1998-99 to Rs 10,234 crore in 2002-03 at a trend rate of 6.81 *per cent*.
- Revenue expenditure increased from Rs 7,019 crore in 1998-99 to Rs 9,342 crore in 2002-03 showing increase at an average trend rate of 7.05 *per cent per annum*. During the year, revenue expenditure increased by Rs 686 crore (eight *per cent*) which was mainly due to more expenditure on interest payments, pensions and other retirement benefits apart from subsidy of Rs 829 crore to Haryana Vidhyut Parsaran Nigam Limited for rural electrification.
- Relative share of plan, capital and developmental expenditure in total expenditure declined from 20.32, 12.75 and 65.11 *per cent* in 1998-99 to 19.38, 4.46 and 58.62 *per cent* respectively in 2002-03.

- The share of economic services in total expenditure declined from 36.31 *per cent* in 1998-99 to 26.46 *per cent* in 2002-03, the share of general services and social services increased from 33.92 and 27.01 *per cent* in 1998-99 to 39.47 and 29.55 *per cent* respectively in 2002-03.
- Huge expenditure on salaries (Rs 3,008 crore), interest payments (Rs 1,946 crore) and pensions (Rs 746 crore) during the current year consumed 66 *per cent* of revenue receipts.
- Interest payments increased steadily by 95 *per cent* from Rs 997 crore in 1998-99 to Rs 1,946 crore in 2002-03 and consumed 35 *per cent* of tax revenue and constituted 21 *per cent* of revenue expenditure.
- Capital expenditure decreased from Rs 1,467 crore in 2001-02 to Rs 436 crore in 2002-03. Decrease in expenditure was due to healthy recoveries over expenditure incurred for procurement of foodgrains under grain supply schemes during the year.
- Revenue deficit decreased from Rs 1,056 crore to Rs 685 crore and fiscal deficit from Rs 2,739 crore to Rs 1,471 crore during 2002-03.
- Government invested Rs 161.28 crore in the Government companies and Co-operative Banks and Societies in 2002-03. Dividend received from total Government investments of Rs 3,067.25 crore at the end of 2002-03 was less than even one *per cent* (Rs 1.73 crore). Government had invested Rs 1,205.95 crore in one statutory corporation and 13 Government loss-making companies, where the accumulated losses were Rs 1,210.73 crore.
- Total revenue received from seven major irrigation projects was only 13 *per cent* (Rs 40.50 crore against the cumulative expenditure of Rs 311.25 crore). Net loss in these projects was Rs 65 crore after meeting the working and maintenance expenditure.
- Overall fiscal liabilities of the State Government increased from Rs 10,199 crore in 1998-99 to Rs 19,227 crore in 2002-03 at an average growth rate of 18.72 *per cent* per annum. These liabilities as ratio to GSDP increased from 23.4 *per cent* in 1998-99 to 28.9 *per cent* in 2002-03 and stood 2.22 times of revenue receipts.
- Assistance to different Bodies/Authorities increased by 60 *per cent* from Rs 380.76 crore in 1998-99 to Rs 607.80 crore in 2002-03.
- 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 6,906 crore to Rs 12,461 crore during 1998-2003, indicating a higher risk exposure.

- Ways and Means Advances obtained by the State increased from Rs 497.89 crore in 1998-99 to Rs 633.97 crore in 2002-03 (27 per cent). State also availed overdraft of Rs 177.42 crore during the year. This reflected significant mismatch between the receipts and disbursements of the Government.

(Paragraphs 1.1 to 1.9)

Indicators of financial position of the State

It is not uncommon for a State to borrow for increasing its social and economic infrastructure support and creating additional income generating assets. However, large revenue and fiscal deficit year after year, together with low or no return on investments indicate that the State is gradually getting into a debt trap. Similarly, the higher buoyancy of the debt with regard to its revenue receipts indicate its increasing unsustainability. There has also been a decline in net availability of funds for infrastructural development from its borrowings as a larger portion of these funds were being used for debt servicing and on establishment expenditure. The State's continuous declining low return on investment indicates an implicit subsidy and use of high cost borrowing for investments, which yields very little to it. Investments in loss making companies are not sustainable. The ratio of State's total financial assets to liabilities has also deteriorated indicating that a greater part of liabilities are without an asset back-up. This indicates that either the State has to generate more revenue out of its existing assets or need to provide from its current revenues for servicing its debt obligations. The balance of current revenue of the State has also continued to be negative. The BCR plays a critical role in determining its plan size and a negative BCR adversely affects the same and reduces availability of fund for additional infrastructure support and other revenue generating investment. State Government needs to address to these vulnerabilities to make its finances more sustainable.

(Paragraph 1.10)

2. Appropriation and control over expenditure

- Excess expenditure of Rs 1,225.21 crore incurred during 2001-02 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 September 2003.
- Supplementary provisions of Rs 55.67 crore obtained in four cases during the year were unnecessary as the expenditure in each case was less than the original provision. In other eight cases, while additional funds of Rs 98.60 crore were needed, supplementary grants and appropriations of Rs 223.41 crore were obtained which resulted in savings of Rs 124.81 crore.

- In 11 cases, as against the actual savings of Rs 263.14 crore, the amount surrendered was Rs 309.88 crore resulting in excess surrender of Rs 46.74 crore. Against the final savings of Rs 2,136.60 crore in 49 cases, Rs 1,284.81 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 202 (31 per cent) out of 647 heads/sub-heads of accounts.

(Chapter II)

3. Working of Agriculture Department

Though Haryana State is one of the largest contributors of foodgrains to the Central Pool, a review on the working of Agriculture Department brought to light significant weaknesses in programme management, resource application and monitoring of key areas. Level of yield/production per hectare attained at the end of VIII five year plan i.e. in 1996-97 for various crops could not be maintained. Yield per hectare declined under rice, *jawar*, *kharif* pulses and cotton. Certified seeds were not used in large areas. Diversification from cereal crops to commercial crops, which were more remunerative, was not popularised among farmers as area under these crops declined. People's involvement in water management and soil conservation programmes was lacking as self help groups/watershed management committees were not formed for maintenance of completed works. Adequate coverage of scheduled castes, small/marginal farmers were not ensured for providing benefits under various Centrally sponsored schemes. Control mechanism such as internal audit, monitoring of implementation of schemes/programmes were non-functional. Some of the important highlights are given below:

- Area sown under commercial crops (cotton, *rabi* oil seeds and sunflower) declined during 2000-03 as compared to the coverage achieved at the end of VIII Five Year Plan (FYP) i.e. in 1996-97. Shortfalls in coverage of targeted area under maize, *kharif* pulses and gram during 2000-03 ranged between 14 and 68 per cent.
- Targets for production and per hectare yield for cotton (except in 2000-01), rice, *jawar*, *kharif* pulses, *rabi* pulses and *rabi* oil seeds were not achieved during 2000-03. Level of per hectare yield for *jawar*, *kharif* pulses and cotton attained at the end of VIII FYP in 1996-97 could not be maintained during 2000-03.
- Eight hundred forty nine works completed at a cost of Rs 1.67 crore by Assistant Soil Conservation Officer, Panchkula and Naraingarh during 2000-02 were not handed over to Watershed Management Committees for their maintenance though very clearly provided in the scheme.

- Certified seeds were not provided to 82 to 96 *per cent* of the sown area under wheat, paddy and gram crops during 2000-03.
- The department failed to popularise crop diversification from cereal crops to commercial crops as areas sown under these crops declined from 14.83 lakh hectares in 1996-97 to 13.26 lakh hectares in 2002-03.
- Out of Rs 48.94 lakh released by the Director, Agriculture to the State Land Use Board for preparation of land use data bank and creating awareness among farmers for adoption of suitable land use measures, during 2000-02, Rs 32.40 lakh remained unutilised.
- In the districts test checked, 10 officials were posted at places where the posts were not sanctioned, but their salaries were drawn against vacant posts in other offices.

(Paragraph 3.1)

4. Implementation of the Drugs and Cosmetics Act

Medical and Health Department was responsible for enforcing the provisions of the Drugs and Cosmetics Act and Rules framed thereunder. These legislations were enacted with the objectives to ensure availability of standard and safe drugs and cosmetics, availability of drugs at fair and affordable prices to the consumers and to see that the drugs were promoted through projection of factual information only. The department, however, did not have adequate infrastructural resources and manpower to effectively discharge the regulatory functions. There was shortfall in inspections of drug units to check compliance of provisions of the Act. In large number of cases, the firms continued their business without getting their licences renewed. Collection of drug samples for quality control was arbitrary as no sample was collected from large number of units for several years. Sub-standard and spurious drugs were in sale in market and were supplied even to the Government hospitals. The department thus, failed to achieve the objectives enshrined in the Act. Important points noticed in audit were as under:

- Against the requirement of 50 Drug Inspectors, as per norms recommended by the task force of the Central Council of Health and Family Welfare, only 16 were in position. This led to a situation where against the requirement of 52,913 inspections covering 6,100 to 8,051 Allopathic/Homeopathic drug selling units in the State during 1998-2003, 21,473 inspections were carried out by Drug Inspectors, resulting in shortfall of 59 *per cent*. For inspection of 230 to 366 Ayurvedic/Unani drug manufacturing units in the State, shortfall was 37 *per cent* during 1998-2003.
- Testing facilities were not available with the State Drug Laboratory for any of the Homeopathic, Ayurvedic and Unani medicines nor any alternative arrangements for their testing were made. Also, for large number of allopathic drugs, these facilities were not available.

- Seventy four *per cent* of the drug samples were tested after prescribed period of 45 days from the date of collection of samples. The delay ranged between one and half month and one and half year. Licences of 25 out of 38 Blood Banks in the State were not renewed for the last two to seven years although they continue to be in operation.
- Prosecution cases increased from 324 in 1997-98 to 522 in 2002-03. The department did not take up the case for setting up special designated courts with the Government for their speedy disposal.
- Records of complaint cases were not maintained properly. Details made available disclosed that 227 cases were pending as of March 2003. Appropriate speedy action was not taken against the defaulters.

(Paragraph 3.2)

5. Welfare of Handicapped

Survey conducted in 1998 identified 2.21 lakh handicapped persons in the State. Of which, 1.37 lakh were orthopaedically handicapped. The Government did not have any policy or specific action plan to cover all the handicapped persons. Large number of orthopaedically handicapped persons were yet to be benefited under the programme for whom no specific action plan was formulated.

- The State Government had no policy or specific time bound action plan to cover/rehabilitate large number of orthopaedically handicapped persons.
- Out of 2.21 lakh disabled persons identified in 1998, only 21-22 *per cent* were benefited under various schemes during 1998-2003. Heavy shortfalls in achievements were noticed mainly under the schemes, 'Providing Unemployment Allowance', and 'Prosthetic Aid to Handicapped Persons'.
- Out of 10,618 persons registered with special employment exchange for handicapped during 1998-2003, only 236 (*two per cent*) were provided employment.
- Under National Programme for Rehabilitation of Persons with disabilities, only Rs 30 lakh were released to the District Red Cross Societies out of Rs 2.57 crore released by Government of India during 1999-2002 and balance of Rs 2.27 crore was lying unutilised in saving bank account of the Director. Similarly, District Disability Rehabilitation Centre at Sonipat had not been set up so far (March 2003) despite release of Rs five lakh for the purpose to the Red Cross Society, Sonipat in 2001-02.

- Braille press installed at a cost of Rs 6.98 lakh in 1993-94 at the Institute for blind at Panipat was lying idle as computer instructor had not been provided so far (March 2003).
- Only 11 to 37 *per cent* handicapped persons were enrolled at the Training Centre for adult blind at Sonipat during 1998-2003. Per person training cost increased from Rs 35,297 in 1998-99 to Rs 93,364 in 2002-03.
- Meetings of State Co-ordination Committee and State Executive Committee for monitoring the implementation of the schemes were not held at prescribed intervals.

(Paragraph 3.3)

6. Prevention and Control of Fire

Fire services in Haryana failed to increase their resources in proportion to the rising population, increasing number of fire calls/incidents and high rise buildings in the State. Despite Dabwali fire tragedy in 1995, State Government had not enacted Fire Force Act, in the absence of which no legal action could be taken against the defaulters for not taking fire preventive and safety measures in high rise buildings and institutional buildings, cinema halls, etc. There was no worthwhile improvement in the infrastructure; even number of hydrants and tubewells had declined during 1997-2003. Fire services were ill equipped with regard to men and machines and available resources were poorly managed leading to increased response time to fire calls. Nearly 39 *per cent* sanctioned posts of operational staff remained vacant. About 18 *per cent* fire fighting equipments/vehicles were out of order while 30 *per cent* such vehicles/equipments had outlived their lives. In 50 *per cent* fire stations, only 22 *per cent* hydrants were available and 87 *per cent* of the available hydrants were unserviceable. All these factors led to increase in response time to fire calls, which was more than the prescribed time in large number of cases. No training and awareness programmes were conducted for leading firemen, breathing apparatus course, fire prevention course and other specialised courses as recommended by Standing Fire Advisory Committee. The State Government was, thus, not prepared and equipped to control any major fire incident.

- State Government did not enact the Fire Force Bill. Fire services were run without specific powers/guidelines from the department/Municipal Committees, which badly affected the services.
- Municipal Committees/Corporations, against the budget provision of Rs 37.32 crore, spent Rs 23.76 crore (64 *per cent*) during 1997-2003.

- Against the requirement of 4,268 Fire Stations in the State, there were only 28 Fire Stations and no Fire Station existed in rural areas though 30 *per cent* of the fire calls were from these areas. Only 10 hydrants, 14 underground water tanks and eight tubewells were in working conditions in test checked districts against the requirement of 345 hydrants, 46 underground water tanks and 21 tubewells respectively. Only 105 Water Tenders were available in the State, against the requirement of 422.
- In the Fire Stations test checked, response time to fire calls was more than prescribed time of five minutes in 33 *per cent* cases in urban areas and between 13 and 120 minutes in 72 *per cent* cases in rural areas.
- Adequacy of provision for fire preventive measures was not ensured by Municipal Committees as inspections of high-rise buildings were not carried out by fire fighting staff during 1997-2003.
- Against the requirement of 678 operating staff in test checked districts, 245 were in position. At five Fire Stations, Assistant Fire Station Officers were also not in position.
- As on 31 March 2003, fire tax of Rs 8.73 crore from various building owners and fire charges of Rs 20.72 lakh remained unrecovered.

(Paragraph 3.4)

7. Blocking of funds

- Delay in procurement of the software had not only led to failure to achieve the desired objective of computerisation of district libraries but the funds of Rs 74.47 lakh also remained blocked over a period of two years.
(Paragraph 4.1.1)
- Haryana Urban Development Authority constructed booths without proper survey of demand which not only rendered the expenditure of Rs 59.31 lakh as unfruitful but also the funds had remained blocked over a period of two years.
(Paragraph 4.1.2)
- Investment of Rs 89.97 lakh on the construction of staff quarters by Public Health department under Yamuna Action Plan Project proved injudicious as the quarters were occupied by private agencies on nominal rent rather than their staff.
(Paragraph 4.1.3)

8. Injudicious/irregular expenditure

- HUDA incurred an injudicious expenditure of Rs 10.86 crore on the maintenance of developed sectors not transferred to Municipal Councils.
(Paragraph 4.2.1)
- By not implementing the Government orders, Finance, Justice and Forest Departments had incurred an irregular expenditure of Rs 2.25 crore on engagement of daily wage workers.
(Paragraph 4.2.2)
- Divisional Forest Officer (Production), Kurukshetra incurred an irregular and doubtful expenditure of Rs 84.11 lakh on logging works which included felling of trees, their transportation, loading and unloading by splitting up the works on quotation basis to avoid sanction of higher authorities.
(Paragraph 4.2.3)
- In Construction Division 23, Panipat of Irrigation Department, Rs 50.28 lakh spent on earth work excavation in abandoned Old Delhi Branch, without revision of design parameters, resulted in infructuous expenditure with a further proposal to spend Rs 84.40 lakh on re-excavation of the same earth.
(Paragraph 4.2.4)

9. Wasteful/unfruitful expenditure

- Incorrect spacing and alignment affected the plantation as a result of which survival rate remained between 0 to 60 *per cent* and rendered Rs 16.69 lakh waste.
(Paragraph 4.3.1)
- In Construction Division 14, Kurukshetra, gates and gearings manufactured by spending Rs 41.04 lakh without any demand from land owners were lying un-utilised resulting in wasteful expenditure.
(Paragraph 4.3.2)
- Water supply schemes to Uchana Town in Jind district and Dadam Village in Bhiwani district constructed at the cost of Rs 1.26 crore by Public Health Divisions, Narwana and Tosham respectively, without ensuring water, remained unutilised even after four years.
(Paragraph 4.3.3)
- Sewerage schemes in Tosham and Julana towns constructed at a cost of Rs 1.27 crore by Executive Engineer, Public Health Divisions, Tosham and Jind respectively remained non-functional due to non-construction of disposal chambers.
(Paragraph 4.3.4)

- Haryana State Agricultural Marketing Board spent Rs 36.37 lakh on laying sewerages in Ismailabad and Hodal towns without finalising the disposal work, which has resulted in unfruitful expenditure.

(Paragraph 4.3.5)

10. Avoidable/extra expenditure

- By printing of Teaching Learning Material in excess of actual requirement, Haryana Prathmik Shiksha Pariyojna Parishad had to incur an avoidable expenditure of Rs 2.77 crore. Parishad also incurred an extra expenditure of Rs 36.73 lakh on printing of text books of superior specifications from a private printer.

(Paragraph 4.4.1)

- In Kurukshetra Depot of Haryana Roadways, lack of pursuance and delay in getting the electricity load enhanced resulted in avoidable payment of Rs 36.39 lakh.

(Paragraph 4.4.2)

- Injudicious decision of Transport Department to include the flaps in set of tyres and tubes resulted in an extra expenditure of Rs 20.45 lakh.

(Paragraph 4.4.3)

- By not adhering to the Government instructions to route all the advertisements through Director, Public Relations, Haryana, Universities had to incur extra expenditure of Rs 48.78 lakh on the advertisements published at higher rates through private advertising agencies.

(Paragraph 4.4.4)

11. Loss/non-recovery/excess payments

- Due to injudicious decision of Administrator, not to accept the highest bid of Rs 4.41 crore received on 12 February 1999, HUDA, Faridabad sustained a loss of Rs 88 lakh.

(Paragraph 4.6.1)

- Premature withdrawal of Rs 40.73 lakh from the treasury without verifying the eligibility/present status of five industrial units and keeping the amount outside the Government account led to loss of interest of Rs 16.57 lakh to the Government.

(Paragraph 4.6.2)

- Failure of the Executive Engineer in Provisional Division PWD (B&R), Sirsa to check the correctness of the payment resulted in excess payment of interest of Rs 65.81 lakh to the land owners on enhanced compensation of land and solatium.
(Paragraph 4.6.3)
- Non-recovery of interest of Rs 16.80 crore on a loan of Rs 44.21 crore granted to Haryana Vidyut Prasaran Nigam Limited and Uttar Haryana Bijli Vitran Nigam Limited resulted in loss of revenue to Market Committees.
(Paragraph 4.6.5)
- Failure of Estate Officers of HUDA to recover the professional service fees resulted in non-recovery of Rs 2.01 crore from allottees.
(Paragraph 4.6.6)
- Due to slackness on the part of HUDA Estate Officers of Faridabad, Gurgaon and Panchkula to revise rent after every three years and non-charging of rent for additional filling points of petrol pumps installed subsequently, HUDA was deprived of the revenue of Rs 1.49 crore.
(Paragraph 4.6.7)
- District Food and Supplies Controllers, Fatehabad and Yamunanagar failed to invoke the provisions of agreements entered with rice millers, which resulted in loss of Rs 80.30 lakh due to short supply of rice by the rice millers to FCI against paddy delivered to them.
(Paragraph 4.6.8)
- In Rewari Depot of Haryana Roadways, non-insurance of buses has resulted in avoidable expenditure of Rs 52.50 lakh on account of compensation.
(Paragraph 4.6.9)
- Due to non-construction of sports complexes at various places by Sports Department, not only the objective of the scheme was defeated but also the funds of Rs 31.60 lakh remained outside the Government account as a result of which Government sustained a loss of interest of Rs 9.63 lakh.
(Paragraph 4.6.10)

12. Embezzlement/Misappropriation

- Non-observance of financial rules and failure of the DDOs of Education Department in exercising the proper checks, facilitated the embezzlement of Rs 8.14 lakh.
(Paragraph 4.7.1)