

OVERVIEW

The Report includes two Chapters on Finance and Appropriation Accounts of the Government of Haryana for the year 2003-04 and three other Chapters comprising six reviews and 23 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 15 out of 23 draft audit paragraphs and five out of six reviews as of August 2004.

1 An overview of the Finances of the State Government

- Revenue receipts of the Government increased by 71 *per cent* from Rs 5,767 crore in 1999-2000 to Rs 9,843 crore in 2003-04. The share of tax revenue (Rs 6,348 crore) and non-tax revenue (Rs 2,223 crore) in total revenue receipts was 64 and 23 *per cent* respectively in 2003-04.
- Eighty seven *per cent* revenue came from State's own resources whereas central tax transfers and grants-in-aid contributed nearly 13 *per cent* of the total revenue.
- Out of total arrears of revenue for Rs 851 crore as of March 2004, Rs 227 crore (27 *per cent*) were outstanding for more than five years indicating unsatisfactory tax compliance.
- Total expenditure increased by 59 *per cent* from Rs 8,132 crore in 1999-2000 to Rs 12,932 crore in 2003-04. The increase of Rs 2,698 crore during the current year over 2002-03 was mainly due to providing loan of Rs 2,114 crore for transmission and distribution of electricity.
- Revenue expenditure increased by 46 *per cent* from Rs 6,952 crore in 1999-2000 to Rs 10,117 crore in 2003-04. During the year, revenue expenditure increased by Rs 775 crore (eight *per cent*) which was mainly due to more expenditure on interest payments, pensions and other retirement benefits apart from subsidy of Rs 924 crore to Haryana Vidyut Prasaran Nigam Limited for rural electrification.
- Relative share of plan, capital and developmental expenditure in total expenditure declined from 22, 11 and 60 *per cent* in 1999-2000 to 17, 3 and 47 *per cent* respectively in 2003-04.

- The share of general services, social services and economic services in total expenditure declined from 36, 30 and 31 *per cent* in 1999-2000 to 34, 25 and 21 *per cent* respectively in 2003-04, whereas the share of loans and advances increased from 4 *per cent* in 1999-2000 to 19 *per cent* in 2003-04.
- Huge expenditure on salaries (Rs 3,256 crore), interest payments (Rs 2,113 crore) and pensions (Rs 766 crore) during the current year consumed 62 *per cent* of revenue receipts.
- Interest payments increased steadily by 56 *per cent* from Rs 1,357 crore in 1999-2000 to Rs 2,113 crore in 2003-04 and consumed 21 *per cent* of revenue receipts and constituted 21 *per cent* of revenue expenditure during the year.
- Capital expenditure decreased from Rs 1,467 crore in 2001-02 to Rs 386 crore in 2003-04. 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 1,185 crore in 1999-2000 to Rs 274 crore in 2003-04, but fiscal deficit increased from Rs 2,132 crore to Rs 2,933 crore during the same period. This indicates the fiscal imbalances of State.
- State Government invested Rs 1,689.51 crore in Statutory Corporations, Joint Stock Companies and Co-operative Societies. Dividend received from these investments was less than even one *per cent* (Rs 4.11 crore). Government had invested Rs 1,377 crore in one Statutory Corporation and 13 Government loss-making Companies, where the accumulated losses were Rs 1,280 crore.
- Total revenue received from seven major irrigation projects was only 45 *per cent* (Rs 140.28 crore) against the cumulative expenditure of Rs 313.72 crore. Net profit (Rs 21.75 crore) after meeting the working and maintenance expenditure (Rs 102.58 crore) was only seven *per cent* of the total expenditure.
- Overall fiscal liabilities of the State Government increased by 81 *per cent* from Rs 12,249 crore in 1999-2000 to Rs 22,194 crore in 2003-04. These liabilities as ratio to GSDP increased from 25 *per cent* in 1999-2000 to 30 *per cent* in 2003-04 and stood 2.26 times of revenue receipts.
- Assistance to different Bodies/Authorities increased by 77 *per cent* from Rs 411.42 crore in 1999-2000 to Rs 727.21 crore in 2003-04.

(Paragraphs 1.1 to 1.9)

Indicators of financial position of the State

Government did well in reducing the revenue deficit by 60 *per cent* during the year. However, increasing fiscal deficit year after year coupled with mounting arrears of revenue and low investment returns questions the sustainability of the State's finances. This is because as large amounts of revenue (72 *per cent*) were spent on interest payments, pension payments, subsidies and salaries and fresh borrowings were needed to sustain the current expenditure. Most of the borrowings (88 *per cent*) were spent on servicing and repayment of old borrowings leaving a little scope for infrastructure development. The interest liability is bound to increase and further reduce the availability of funds from borrowings for capital formation in years to come unless State Government strengthens the tax collection administration and invest the high cost borrowings more judiciously to broaden the tax base. Government should also consider the disinvestment of loss making companies to reduce its current liabilities.

(Paragraph 1.10)

2. Appropriation and control over expenditure

Excess expenditure of Rs 172.59 crore incurred during 2002-03 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 August 2004.

(Paragraph 2.1.2)

Supplementary provisions of Rs 30.19 crore obtained in four cases during the year were unnecessary as the expenditure in each case was less than the original provision. In other seven cases, while additional funds of Rs 385.24 crore were needed, supplementary grants and appropriations of Rs 713.75 crore were obtained which resulted in savings of Rs 328.51 crore.

(Paragraph 2.1.5 and 2.1.6)

In 10 cases, against the actual savings of Rs 31.82 crore, the amount surrendered was Rs 281.11 crore resulted in excess surrender of Rs 249.29 crore. Against the final savings of Rs 1,357.07 crore in 45 cases, Rs 1,007.54 crore in 42 cases were surrendered on the last day of the financial year indicating that expenditure and budgetary controls were ineffective.

(Paragraph 2.1.11 and 2.1.10)

Explanations for savings/excesses were not received for 183 (28 *per cent*) out of 645 heads/sub-heads of accounts.

(Paragraph 2.1.15)

3. Working of Animal Husbandry and Dairying Department

Animal Husbandry and Dairying Department aimed at genetic improvement of milch animals, keeping them disease free, providing balanced feed/fodder and improving dairying profession for self-employment of unemployed youth. A review of the working of the Department brought out deficient programme management and inadequate monitoring of the schemes/projects at various levels. Prescribed budgetary procedure was not followed and thus budget proposals were inflated. Live Stock Breeding Programme and Cattle and Buffalo Development Programme were not implemented effectively as there were considerable shortfalls in artificial insemination of buffaloes, conception age and mortality among calves had increased while the milk production had declined. All the LN₂ gas producing plants with the department, required for preserving frozen semen, were non-functional. Internal audit was ineffective as it had covered only five out of 93 offices during 2003-04.

- Against a budget provision of Rs 399.47 crore, Rs 308.46 crore were spent during 2001-04.
- Shortfall in targets in artificial insemination of buffaloes ranged between 12 and 30 *per cent* during 2001-04. In a large number of Veterinary Institutes in Ambala, Bhiwani, Karnal and Rohtak districts, essential equipment such as microscopes, temperature kits, etc. were not provided.
- At Government Livestock Farm, Hisar, fodder and feed was not provided to the Cattle in adequate quantity. Milk production decreased by 23 *per cent* during 2001-04. Decrease in *per acre* production as well as in cultivable area in farm during 2001-04 resulted in loss of Rs 2.91 crore.
- All the eleven liquid Nitrogen Gas Plants in the State were non-functional either for want of repair or because the plants had outlived their lives.
- Rupees 30.79 lakh spent during 1995-2004 on the salary of veterinary surgeons deployed for the production of vaccines for swine fever, renikhet and fowl pox were rendered unfruitful as these vaccines were not produced.

(Paragraph 3.1)

4. Sewerage and Sanitation Schemes including Yamuna Action Plan

Objectives of Sewerage and Sanitation Schemes and Yamuna Action Plan (YAP), implemented by Public Health Department, to provide hygienic sanitation facilities to the public and to reduce water pollution in rivers/canals were not achieved. The department had 85 sewerage and sanitation schemes

in hand as of March 1999, of which 25 were more than five years old but none of these had been completed. This led to spread of unhygienic conditions due to discharge of untreated sewage in the open. Non-fixation of time schedule for completion of works and non-release of funds by Government resulted in non-completion of sewerage schemes. Non-functional and underutilised sewerage schemes led to unfruitful expenditure as sewerage facilities could not be provided in the towns envisaged in the scheme. Scrutiny of records relating to YAP revealed lack of planning for sewage treatment, partial completion/underutilisation of Sewage Treatment Plants (STP), non-maintenance of prescribed standards in treatment of effluent, non-laying of internal sewer lines/drains to link interception and diversion sewers, construction of oxidation ponds without ensuring disposal of treated effluent, underutilisation of STP structures, construction of toilet units in unidentified areas, etc. All these factors led to non-achievement of goals of providing hygienic sanitary conditions and reducing water pollution in Yamuna river and canals.

- Out of total 749.15 MLD sewage generated in the entire State, only 254.50 MLD sewage (34 per cent) was treated.
- Public Health Department did not complete any of the 85 schemes, of which 25 were more than five years old. No time frame was fixed for their completion.
- Expenditure of Rs. 2.64 crore on construction of Interception and Diversion sewer in Gurgaon was rendered unfruitful because of non-construction of internal sewer lines for connecting it.
- Treated effluent from Sewage Treatment Plant, Yamunanagar constructed at cost of Rs 9.02 crore, was discharged into Western Jamuna Canal irregularly contaminating the drinking water, as arrangements for separate channel to carry the treated effluents were not made.
- Treated water of oxidation pond, constructed at cost of Rs 1.06 crore at Karnal, was discharged in low lying area near the plant, without making arrangement for its disposal.
- In four towns, surface drains were laid at a cost of Rs. 1.67 crore without making arrangement for funds/land for disposal works for treated effluent, which rendered the expenditure unfruitful.
- Sewerage schemes completed at a cost of Rs. 1.09 crore in three villages in Hisar district were non-functional because the villagers did not come forward to obtain sewerage connections.
- Rupees 13.74 crore were outstanding against Haryana Urban Development Authority on account of proportionate maintenance charges of STPs.

(Paragraph 3.2)

5. Pradhan Mantri Gram Sadak Yojana

The primary objective of Pradhan Mantri Gram Sadak Yojna (PMGSY) was to provide connectivity by way of an all weather road to unconnected habitations in rural areas. Audit observed that there were only two unconnected habitations in the State; even these were not connected during 2000-04 not withstanding the fact that the focus of the scheme was on new connectivity. The entire funds received under the scheme were spent by the State on upgradation of roads though the scheme guidelines had provided only for 20 *per cent* of funds for upgradation and balance bulk of funds for new connectivity. Even in the roads which were taken up for upgradation, there was a shortfall in achievements of targets as out of 67 roads taken up, only 41 were upgraded. Non-achievement of targets was also attributed to non-utilisation of funds by the State Government. Audit also noticed that works were designed with inadequate specifications, funds were diverted to other schemes, penalty for delayed completion of works not levied and performance bank guarantees from contractors for maintenance of works for five years were not obtained.

- About 24 *per cent* of funds received from Government of India (GOI) remained unspent, although one-third the length of roads targeted for completion remained incomplete/not taken up.
- Department failed to connect even the two unconnected habitations in the State inspite of availability of funds. Against the target of upgradation of 67 village roads, 41 were upgraded during 2000-04.
- Chandimandir-Jallah road strengthened and widened at a cost of Rs 45.03 lakh had deteriorated within one year and 6 months of its completion and in certain reaches, the road was even non-existent due to inadequate specifications, non-provision of side drains, etc.
- Contrary to the scheme guidelines, eight divisions did not obtain bank guarantees for Rs 3.47 crore to serve as performance guarantees for five years after completion of works.
- Provincial Division, Naraingarh did not invoke penalty clause for delay in completion of works within prescribed time frame, which gave undue financial benefit of Rs 46.36 lakh to the contractor.
- An expenditure of Rs 2.41 crore was incurred on works in violation of scheme guidelines on repair of road, adoption of rich specifications, charging of cost overrun to scheme and on other works/schemes.

Paragraph 3.3)

6. Working of Shivalik Development Board

Main objectives of Shivalik Development Board were to raise the living standards of the people in the areas of Shivalik range through integrated

development of hilly and semi-hilly areas. Thrust was on creation of infrastructure viz. construction/repair of roads, construction of buildings for health centres, schools, colleges and installation of tubewells. Its members were high ranking Government nominees with the State Chief Minister at the helm of affairs besides Ministers/Chief Secretary and Secretaries of various departments being ex-officio members. Although the original intention of having high profile nominees seemed to give special focus to the development of the area, it so turned out that none of the officials could provide adequate attention to monitor the progress of works since the Board failed to meet regularly. The Board failed to formulate specific schemes on long-term basis to achieve the objective of raising the living standard of the people in the area. Physical targets/time schedule for completion of works were not fixed as a result of which execution of works got delayed and funds remained unspent with the implementing agencies. A large number of tubewells remained non-functional for want of repairs. Co-ordination Committee required to monitor the schemes did not hold its meeting even once during last five years as the Government failed to appoint the President of the Committee. The Board had never evaluated the extent of improvement brought about in the standard of living of people in the area as a result of implementation of the various programmes/schemes. The basic intent of having a separate Board to provide focused development of the area, therefore, remained unachieved. Lackadaisical approach to implementation coupled with the unwieldy nature of the Board, thus presents a case before the Government for consideration of winding up of this Board and instead pursuing the development of the area through the normal implementing departments, who, in any case, are the implementing agencies for the Board.

- The Board did not formulate schemes/programmes on long-term basis specifying aims, objectives and targets for raising the standard of living of the people.
- More than 90 *per cent* of the funds (Rs 3.15 crore) received from Government of India in 2001-02 for installation of tubewells, remained unutilized due to non-formulation of schemes.
- Abandonment of two roads, after execution of earthwork at a cost of Rs 60.40 lakh, rendered the entire expenditure wasteful.
- Out of 72 deep tubewells to be handed over to village Farmers' Co-operative Societies after their repair, only 20 were handed over and the remaining 52 were lying non-functional/un-repaired.
- Co-ordination Committee, which was responsible for monitoring the progress of implementation of schemes, did not meet even once during 1999-2004.

(Paragraphs 3.4)

7. Indian System of Medicines and Homoeopathy

Indian System of Medicines and Homoeopathy, implemented by Ayurveda Department, aimed at providing medical relief to the masses and education through undergraduate and diploma courses. Audit observed that a large number of posts of doctors and para-medical staff remained vacant. Expenditure on establishment was more than 90 *per cent* while expenditure on medicines was nominal. Bed occupancy in all the three Government Ayurvedic Hospitals in the State was very low. Medicines supplied to various Institutions were never got tested in the laboratory to ensure their quality standard as required under the Drugs and Cosmetics Act-1940. Even expired medicines were issued to patients. A large number of dispensaries did not have even the basic facilities of drinking water and electricity. In Shri Krishna Government Ayurvedic College and Hospital, Kurukshetra, there was acute shortage of teaching staff, clinical test facilities were inadequate due to non-providing the post of pathologist and bed occupancy in the hospital was low. More than 50 *per cent* seats for diploma in pharmacy could not be filled. These deficiencies led to inadequate medical services and medical education.

- Norms for doctor-patient ratio to assess the workload of individual dispensaries with reference to the number of outdoor patient department (OPD) patients were not prescribed to assess the justification for posts of doctors/para-medical staff.
- Vacancies of 84 doctors and 250 para-medical staff affected the working of the Department of Ayurveda.
- Bed occupancy in Shri Krishna Ayurvedic Medical College and Hospital, Kurukshetra and Government Ayurvedic Hospitals at Imlota was very low and ranged upto 30 *per cent* during 1999-2004.
- The department was required to ensure availability of standard quality drugs to consumers. Though medicines for Rs 5.13 crore were purchased during 1999-2004, these were not got tested in the laboratory for determining their quality standard. Ayurvedic dispensaries in Bhiwani and Jhajjar districts issued 8,160 packets of expired dycon tablets to patients.
- There was shortage of teaching staff in Shri Krishna Ayurvedic College and Hospital, Kurukshetra as there were only 8 to 11 faculty members against 43 required as per norms laid down by Central Council of Indian Medicines. Besides, 26 to 29 seats (against in-take capacity of 50) for diploma course in pharmacy could not be filled in any year during 2001-04.

(Paragraph 3.5)

8. Wasteful expenditure

Haryana Urban Development Authority (HUDA) acquired 402.75 acres of land falling in the river *Ghaggar* and consequently the entire expenditure of Rs 23.36 crore incurred on it was rendered wasteful.

(Paragraph 4.1.1)

9. Overpayment/excess payment

In three divisions of Public Works Department (Buildings and Roads Branch), non-implementation of Government's decision for recovery of difference of sales tax resulted in overpayment to contractors and loss of Rs 47.82 lakh to Government.

(Paragraph 4.1.3)

Failure of Treasury Officers/Bank Officers in observing rules/orders resulted in overpayment of Rs 35.20 lakh of pensionary benefits.

(Paragraph 4.1.4)

In nine District Rural Development Agencies (DRDAs), the payment of assistance of Rs 20,000 per unit for conversion of *kutchha* houses to *pucca* houses in plain areas and Rs 22,000 in hilly areas, instead of Rs 10,000 as provided in the scheme, resulted in excess payment of Rs 16.07 crore to 16,047 beneficiaries.

(Paragraph 4.3.5)

10. Violation of contractual obligations/undue favour to contractor

In Hathni Kund Barrage Division-I, Jagadhari, non-revision of rates as per terms and conditions of contract agreement had resulted in excess payment of Rs 30.01 lakh.

(Paragraph 4.2.1)

11. Avoidable/excess/unfruitful expenditure

Decision of HUDA to withhold the amount of land compensation, instead of depositing it in the court, led to avoidable payment of interest of Rs 28.47 lakh on delayed payment.

(Paragraph 4.3.1)

Non-providing of adequate science faculty in six upgraded Senior Secondary Schools defeated the objectives of upgradation and payment of salary to skeleton idle staff without science students had rendered Rs 55.86 lakh unfruitful.

(Paragraph 4.3.2)

In Public Health Division-I, Hisar, additional structures of water supply scheme, constructed by spending Rs 46.38 lakh, remained unutilised due to non-remodelling of carrier channel.

(Paragraph 4.3.3)

In Public Health Division-II, Sirsa, injudicious decision to construct separate water works, based on inflated population projection, resulted in extra burden of Rs 39.49 lakh on State exchequer as existing structures were sufficient to meet the water requirement.

(Paragraph 4.3.4)

In three Public Health Divisions, structures of three water supply schemes, constructed by spending Rs 2.22 crore, without ensuring the availability of additional raw water, remained unutilised.

(Paragraph 4.3.6)

In four depots of Haryana Roadways, the failure of General Managers to comply with the provisions of Motor Vehicle Act had resulted in avoidable payment of compensation of Rs 43.09 lakh.

(Paragraph 4.3.7)

Three depots of Haryana Roadways paid special road tax to Rajasthan State without plying buses/ plying buses on shorter routes and paid penalty due to delayed payment resulting in extra burden of Rs 49.22 lakh on State exchequer.

(Paragraph 4.3.8)

District Food and Supplies Controller, Rewari did not follow the instructions of Food Corporation of India to supply wheat directly to FCI depots thereby causing a loss of Rs 71.83 lakh to Government on account of carry-over and storage charges.

(Paragraph 4.3.9)

In Siwani Water Services Division, Bhiwani, Rs 6.14 crore spent on construction/remodelling of channels for linking Bhakra Canal System and Western Jamuna Canal System failed to achieve the objectives of better irrigation facilities due to improper planning.

(Paragraph 4.3.10)

By providing books free of cost to general category students in contravention of provisions and further getting the books printed in excess of actual requirement, Haryana Prathmik Shiksha Pariyojna Parishad incurred avoidable expenditure of Rs 3.98 crore.

(Paragraph 4.3.11)

Failure of Maharshi Dayanand University, Rohtak to supply steel in time for construction of auditorium despite availability of funds resulted in an extra expenditure of Rs 30.27 lakh.

(Paragraph 4.3.12)

In 12 depots of Haryana Roadways, non-insurance of buses resulted in avoidable expenditure of Rs 3.73 crore on account of compensation.

(Paragraph 4.3.13)

12. Idle investment/idle establishment/blockage of funds

Delay in creating infrastructure for installation of Cobalt Therapy Unit at General Hospital, Bhiwani and non-procurement of the equipment had not only led to blockage of funds of Rs 1.98 crore over a period of three years but also resulted in non-achievement of programme objectives.

(Paragraph 4.4.2)

13. Regulatory issues and other points

Thirteen DRDAs failed to recover the revolving fund of Rs 2.73 crore advanced to 1,398 defunct Development of Women and Children in Rural Areas (DWCRA) groups, which resulted in blockage of funds for five years.

(Paragraph 4.5.1)

Rs 5.04 crore drawn for setting up a Wide Area Network, in advance of requirement by Director General of Police, remained outside the Government Accounts for two years which resulted in a loss of interest of Rs 86.91 lakh.

(Paragraph 4.5.2)

14. Internal Control System and Internal Audit Arrangement

Internal Control and Internal Audit System safeguards against errors and irregularities in operational and financial matters. It examines and evaluates the level of compliance of departmental rules and procedures. Internal Control System in Panchayat Department was not effective as administrative and financial procedures prescribed by the Government through various Codes/Manuals/Instructions were not followed. Internal audit arrangements in Development Department were not satisfactory as there was pendency in

audit, inordinate delay in issue of audit notes and increase in number of outstanding audit objections over the years.

- Inspection of sub-offices by head of department, system of calendar of dates/events to ensure quick disposal of cases, preparation of calendar of return to ensure timely submission of returns/statements to concerned authorities were not done/adopted in Panchayat Department.
- System of checking of totals of cash-book other than writer of cash-book, physical verification of cash at the end of each month and reconciliation of treasury schedules with cash-book every month were not followed properly.
- There was lack of planning for conducting internal audit. Inordinate delays in issue of inspection reports persisted. Further, out of 1,929 paragraphs issued during 1999-2004, 634 paragraphs were settled and 1,295 paragraphs were outstanding, which is indicative of failure to secure compliance to audit objections.

(Paragraphs 5.1)