

A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by a Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliances is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities including strategic planning and decision-making. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

3.1 Delay in furnishing Utilisation Certificates

Rule 8.14 of the Punjab Financial Rules, as applicable to Haryana, provides that utilisation certificates (UCs), for the grants provided for specific purposes, should be obtained by the departmental officers from the grantees. After verification, these should be forwarded to the Accountant General within a reasonable time, unless a specific time limit is fixed by the sanctioning authority. However, of the 17,446 UCs due for submission in respect of grants and loans aggregating ₹ 8,887.80 crore, 3,002 UCs (17 per cent) for an aggregate amount of ₹ 3,437.09 crore were in arrears. The department-wise break-up of UCs due, received and outstanding as on 31 March 2010 is given in **Appendix 3.1**. The age-wise delays in submission of UCs is summarised in **Table 3.1**.

Table 3.1: Age-wise arrears of Utilisation Certificates

(₹ in crore)

Sr. No.	Range of delay in number of years	Total grants paid		Utilisation certificates outstanding	
		Number	Amount	Number	Amount
1	0 - 1	1234	2053.37	1069	1778.41
2	1 - 3	1725	2427.73	689	1183.31
3	3 - 5	3582	1058.32	269	253.35
4	5 - 7	6249	1375.56	381	182.35
5	7 - 9	3191	1180.64	519	32.06
6	9 & above	1465	792.18	75	7.61
Total		17446	8,887.80	3002	3,437.09

Table 3.1 showed that out of 3,002 outstanding UCs, 1,244 UCs (41 per cent) were more than three years old. Analysis of the department-wise break-up showed that outstanding UCs from the Development and

Panchayat, Education, Rural Development, Social Justice and Empowerment and Urban Development departments constituted 87 per cent of the total outstanding UCs, involving 78 per cent of the grants released. Despite this being pointed out in the Report of the Comptroller and Auditor General of India on State Finances-Government of Haryana for the year ended 31 March 2009, only 400 UCs (17 per cent) against the outstanding 2,340 UCs, pertaining to the earlier years were furnished by the departments during 2009-10. This not only indicated lack of internal control of administrative departments but also showed a tendency on the part of the Government to go on disbursing fresh grants without ascertaining proper utilisation of the earlier amounts.

3.2 Non-submission/delay in submission of Accounts

In order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971 (CAG's Act-1971), the Government/heads of the departments are required to furnish to audit every year, detailed information about the financial assistance given to various institutions, the purposes of the assistance granted and total expenditure of the institutions. On the basis of information received, 177 bodies / authorities, attracted audit under Section 14 of the Act *ibid*. Audit of 72 bodies/ authorities was conducted during 2009-10.

A total of 298 Annual Accounts pertaining to 160 autonomous bodies/ authorities due up to 2009-10 had not been received in the office of the Principal Accountant General (Audit) as of July 2010. The details of these accounts are given in **Appendix 3.2** and their age-wise pendency is presented in **Table 3.2**.

Table 3.2: Age-wise arrears of annual accounts due from bodies/authorities

Sr. No.	Delay in number of years	Number of accounts	Grants received (₹ in crore)
1.	0-1	95	206.05
2.	1-3	81	349.16
3.	3-5	39	42.55
4.	5-7	24	26.08
5.	7-9	7	12.60
6.	9 and above	52	55.40

Table 3.2 shows that 83 Annual Accounts (28 per cent) involving grants of ₹ 94.08 crore were in arrears for more than five years. Further scrutiny revealed that 154 Annual Accounts (52 per cent) pertaining to 50¹

¹ Sr. No. 1 to 50 of **Appendix 3.2**.

Municipal Committees, to whom grants amounting to ₹ 425.45 crore were released between 1982-83 and 2008-09, had not been received. In the absence of Annual Accounts, it could not be ascertained whether these bodies/authorities attracted the provisions of Section 14 of the CAG's Act, 1971 or not.

3.3 Delays in submission of Accounts of Autonomous Bodies for Certification

Several autonomous bodies have been set up by the Government in the field of, Agriculture, Housing, Labour Welfare, Urban Development, etc. The audit of accounts of 29 such bodies in the State has been entrusted to the CAG. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Reports (SARs) and their placement in the Legislature are indicated in **Appendix 3.3**. The frequency distribution of autonomous bodies according to the delays in submission of accounts to Audit and placement of SARs in the Legislature is summarised in **Table 3.3**.

Table 3.3: Delays in submission of accounts and tabling of Separate Audit Reports

Delays in submission of accounts (in months)	Number of autonomous bodies	Reasons for delay	Delays in submission of SARs in Legislature (In years)	Number of autonomous bodies	Reasons for delay
0 - 1	-	Accounts had not been prepared by autonomous bodies.	0 - 1	6	Reasons for delay not intimated by departments.
1 - 6	-		1 - 2	5	
6 - 12	4		2 - 3	-	
12 - 18	-		3 - 4	-	
18 - 24	4		4 - 5	-	
24 and above	13		5 and above	-	
Total	21			11	

It was further observed that 11² autonomous bodies had not submitted their Annual Accounts for the last 13 years (1996-97 and onwards).

3.4 Departmental Commercial Undertakings

The departmental undertakings of certain Government departments performing activities of quasi-commercial nature are required to prepare proforma accounts annually in the prescribed format showing the working results of financial operations so that the Government can assess their

² District Legal Services Authorities: Bhiwani, Faridabad, Fatehabad, Gurgaon, Jhajjar, Panchkula, Panipat, Rewari, Rohtak, Sonipat and Yamunanagar.

working. The final accounts reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalisation of accounts, the investment of the Government remains outside the scrutiny of Audit/State Legislature. Consequently, corrective measures, if any required, for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay is open to risk of fraud and leakage of public money.

Heads of departments in the Government have to ensure that the undertakings prepare their proforma accounts and submit the same to the Principal Accountant General for audit within a specified timeframe. As of June 2010, out of five such undertakings, four had not prepared their accounts even up to 2008-09. Government funds amounting to ₹ 2216.79 crore stood invested in these undertakings at the end of the financial year upto which their accounts were completed. The proforma accounts of Haryana Roadways having Government investment of ₹ 366.33 crore as on 31 March 2005 were in arrears from 2005-06. The CAG had repeatedly commented about the arrears in preparation of accounts in the State Reports-Civil but there was no improvement in this regard. The department-wise position of arrears in preparation of proforma accounts and investments made by the Government are given in **Appendix 3.4**.

3.5 Misappropriations, losses, defalcations, etc.

Rule 2.33 of the Punjab Financial Rules, as applicable to Haryana, stipulates that every Government employee should realise that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part or any loss arising from fraud or negligence on the part of any other Government employee to the extent that he contributed to the loss by his own action or negligence. Further, as per rule 2.34 *ibid*, cases of defalcations and losses are required to be reported to the Principal Accountant General.

The State Government reported 208 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹ 1.85 crore on which final action was pending as of June 2010. The department-wise break up of pending cases and age-wise analysis is given in **Appendix 3.5** and the nature of these cases is given in **Appendix 3.6**. The age-profile of the pending cases and the number of cases pending in each category-theft, misappropriation, loss, etc. is summarised in **Table 3.4**.

Table 3.4: Profile of misappropriations, losses, defalcations, etc.

Age-profile of pending cases			Nature of pending cases		
Range in years	Number of cases	Amount involved (₹ in lakh)	Nature/characteristics of the cases	Number of cases	Amount involved (₹ in lakh)
0 - 5	41	48.01	Theft	138	87.03
5 - 10	45	73.67			
10 - 15	35	26.88	Misappropriation/ loss of material	85	101.60
15 - 20	34	22.48			
20 - 25	29	8.12			
25 and above	24	6.14	Total	223	188.63
			Cases of losses written off during the year	15	3.33
Total	208	185.30	Total pending cases	208	185.30

Reasons for pendency of the cases are listed in **Table 3.5**.

Table 3.5: Reasons for outstanding cases of misappropriation, loss, defalcation, etc.

Reasons for the delays in finalisation of pending cases		Number of cases	Amount (₹ in lakh)
i)	Departmental action initiated but not finalised	126	89.60
ii)	Awaiting orders for recovery or write-off	65	56.31
iii)	Pending in the courts of law	17	39.39
Total		208	185.30

Out of the total loss cases, 61 *per cent* cases related to theft of Government money/stores which indicated that appropriate steps for the safety of Government property/cash, etc., as prescribed in the rules, had not been taken by the departments. Further, in respect of 60 *per cent* cases of losses, departmental action had not been finalised and 31 *per cent* cases were outstanding for want of orders of the competent authority for recovery or write-off of the losses. It was further noticed that out of 208 cases of losses due to theft/misappropriation etc., 167 cases were more than five years old, of which 24 cases were more than 25 years old. The lackadaisical approach of the departments in finalisation of these cases had not only caused loss to the State exchequer but also prevented timely action against the officers/officials at fault.

3.6 Conclusion

Internal financial reporting is one of the attributes of good governance but it was not effective as there was non-compliance of financial rules, procedures and directives on several aspects. There were substantial delays in submission of utilisation certificates due to which proper utilisation of grants could not be ensured. Non-submission/delays in submission of accounts by grantee institutions resulted in non-identification of institutions for conducting of audit by CAG. A large number of autonomous bodies, the audit of which was entrusted to CAG

as also departmentally run commercial undertakings were not preparing their final accounts for long periods as a result of which, their financial position was not known to the Government. Further, there were a large number of cases of theft of Government money, misappropriation, loss of Government material, defalcation, etc. for which departmental action was pending for long periods. For good governance, these issues need to be addressed at appropriate levels.

3.7 Recommendations

The internal control mechanism of the Government departments needs to be strengthened to watch the timely submission of UCs and to ensure that subsequent grants are released only after ascertaining the proper utilisation of earlier grants. Timely submission of accounts by autonomous bodies should be ensured. A time bound framework should be prepared for taking prompt action in cases of theft, misappropriation, etc.

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