

## Chapter III

### Financial Reporting

A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance 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 Compliance to Accounting Standards

As per article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. In accordance with this provision, the President of India has so far notified three Indian Government Accounting Standards (IGAS). Compliance to these Accounting Standards by Government of Haryana in 2017-18 and deficiencies therein are detailed in **Table 3.1**.

**Table 3.1: Compliance to Accounting Standards**

Sl. No.	Accounting Standard	Compliance by State Government	Compliance/deficiency
1	<b>IGAS 1: Guarantees Given by the Government – Disclosure requirements</b>	Complied (Statements 9 and 20 of Finance Accounts)	Detailed information like number of guarantees for each institution has been furnished. ( <i>Refer to paragraph 1.9.4</i> for further audit findings on Guarantees)
2	<b>IGAS 2: Accounting and Classification of Grants-in- Aid</b>	Complied (Statement 10 of Finance Accounts)	(i) Certain Grants-in-Aid have been classified under Capital Section ( <i>Refer to paragraph 1.6.4</i> for other audit findings) (ii) Information has been furnished in respect of Grants-in-Aid given in kind by the State Government.
3	<b>IGAS 3: Loans and Advances made by Governments</b>	Not Complied (Statement 18 of Finance Accounts)	Details not confirmed by the State Government. Detailed information of overdue Principal and interest was not furnished. Confirmation of balances of individual Loanee was not furnished. ( <i>Refer to paragraph 1.8.6</i> for further audit findings on Loans and Advances )

Source: Indian Government Accounting Standards and Finance Accounts

### 3.2 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 departmental officers from the grantees. After verification, these should be forwarded to the Accountant General (A&E) within a reasonable time, unless a specific time limit is fixed by the sanctioning authority. However, of the 19,130 UCs due for submission in respect of grants and loans aggregating ₹ 23,877.22 crore, 1,588 UCs for an aggregate amount of ₹ 7,800.80 crore were in arrear. The department-wise break-up of UCs due, received and outstanding as on 31 March 2018 is given in **Appendix 3.1**. The age-wise delays in submission of UCs is summarised in **Table 3.2**.

**Table 3.2: 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	6,503	8,355.91	667	3,473.67
2	2 – 4	11,572	11,843.10	759	3,555.54
3	5 & Above	1,055	3,678.21	162	771.59
<b>Total</b>		<b>19,130</b>	<b>23,877.22</b>	<b>1,588</b>	<b>7,800.80</b>

**Table 3.2** shows that out of 1,588 outstanding UCs, 921 UCs (58 per cent) were in arrear for the grants released during the period between 2009-10 and 2015-16 i.e. for a period of two to nine years. Analysis of **Appendix 3.1** shows that out of total 1,588 outstanding UCs, 715 UCs (45 per cent) were outstanding from Rural Development Department. In three test checked Municipal Corporations<sup>1</sup> it was noticed that GIA of ₹ 553.95 crore was released by the State Government during 2012-13 to 2016-17, however out of this amount UCs of ₹ 431.64 crore were received and UCs of ₹ 122.31 crore were remain pending as on 31 March 2018. This not only indicates lack of internal control of administrative departments but also shows the tendency on the part of the Government to disburse fresh grants without ascertaining proper utilisation of earlier grants.

### 3.3 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 (DPC) Act, 1971], the Government/heads of the departments are

<sup>1</sup> (i) Ambala, (ii) Karnal and (iii) Panchkula

required to furnish to audit every year, detailed information about the financial assistance given to various institutions, the purpose of assistance granted and total expenditure of the institutions.

A total of 216 annual accounts of 85 autonomous bodies/authorities are awaited as on 31 July 2018. The details of these accounts are given in **Appendix 3.2** and their age-wise pendency is presented in **Table 3.3**.

**Table 3.3: 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	84	224.42
2.	1-3	92	298.45
3.	3-5	24	65.42
4.	5-7	11	31.69
5.	More than 7 years	5	6.76
	<b>Total</b>	<b>216</b>	<b>626.74</b>

(Source: Figures obtained from Government Departments and Accountant General (A&E) Haryana)

In the absence of annual accounts, it could not be ascertained whether these bodies/authorities attract the provision of Section 14 of the CAG's (DPC) Act, 1971. Out of 163 autonomous bodies/authorities which attract audit under Section 14 of the Act, audit of 26 bodies/authorities was conducted during 2017-18.

**The Government may consider adopting appropriate measures to ensure receipt of accounts from the grantee institutions at the end of every year in order to enable identification of institutions attracting audit by CAG of India under Section 14 of the CAG's (DPC) Act, 1971.**

### **3.4 Delays in submission of accounts of autonomous bodies for certification**

Several autonomous bodies have been set up by the Government in the fields of Urban Development, Housing, Labour Welfare and Agriculture. The audit of accounts of 30 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 its placement in the Legislature is indicated in **Appendix 3.3**.

District Legal Services Authority, Jhajjar had not submitted its annual accounts for the years 1996-97 to 2010-11. Delay in respect of 14 autonomous bodies ranged between one year and three years. Delay in finalization of accounts carries the risk of financial irregularities going undetected and, therefore, the accounts need to be finalized and submitted to Audit at the earliest.

SARs in respect of Haryana Labour Welfare Board, Chandigarh (2009-10 to 2016-17) and Haryana Building and Other Construction Workers Welfare Board, Chandigarh (2009-10 to 2015-16) have not been placed before the State Legislature.

**The Government may consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings in order to assess their financial position.**

### **3.5 Departmentally managed 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 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 the 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.

As of June 2018, five such undertakings had not prepared their accounts since the years ranging between 1986-87 and 2016-17. Government funds amounting to ₹ 7,782.28 crore stood invested in these undertakings. Though the arrears in preparation of accounts have been repeatedly commented in the earlier Reports on State Finances, no improvement had taken place in this regard. The department-wise position of arrears in preparation of proforma accounts and investment made by the Government are given in *Appendix 3.4*.

### **3.6 Misappropriations, losses, defalcations, etc.**

Rule 2.33 of the Punjab Financial Rules, as applicable to Haryana, stipulates that every Government employee 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*, the cases of defalcations and losses are required to be reported to the Accountant General (A&E).

State Government reported 71 cases of misappropriation and defalcation involving Government money amounting to ₹ 1.34 crore on which final action was pending as of June 2018. In all these cases the First Information Report (FIR) have been filed by the concerned departments. The department-wise break up of pending cases and age-wise analysis is given in *Appendix 3.5* and 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 and misappropriation/loss as emerged from these appendices is summarised in **Table 3.4**.

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

(₹ in lakh)

Age-profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved		Number of cases	Amount involved
0 - 5	28	86.90	Cases pending as of June 2017	98	140.82
5-10	07	16.61			
10-15	14	17.11	Cases added during the year	08	40.24
15 - 20	05	09.93			
20 - 25	03	00.00			
25 and above	14	03.72	<b>Total</b>	<b>106</b>	<b>181.06</b>
			Cases of losses written off during the year	35	46.79
<b>Total</b>	<b>71</b>	<b>134.27</b>	<b>Total pending cases as of June 2018</b>	<b>71</b>	<b>134.27</b>

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

**Table 3.5: Reasons for outstanding cases of misappropriations, losses, defalcations, etc.**

Reasons for the delay/outstanding pending cases		Number of cases	Amount (₹ in lakh)
i)	Departmental action initiated but not finalised	51	106.43
ii)	Criminal proceedings finalised but execution of criminal case for the recovery of amount pending	4	1.60
iii)	Awaiting orders for recovery or write off	10	9.30
iv)	Pending in the courts of law	6	16.94
<b>Total</b>		<b>71</b>	<b>134.27</b>

Out of the total loss cases, 77 per cent cases are related to theft of Government money/store. Further, in respect of 72 per cent cases of losses, departmental action had not been finalized while 14 per cent cases were outstanding for want of orders of the competent authority for recovery or write off of losses. It was further noticed that out of 71 cases of losses due to theft/misappropriation, 43 cases were more than five years old, including 14 cases which were more than 25 years old. The lackadaisical approach of departments in finalisation of these cases had not only caused loss to the State exchequer but also led to non-accountability of the officers/officials at fault.

**The Government may consider preparing a time bound framework for taking prompt action in cases of theft, misappropriation, etc.**

### 3.7 Misclassification in accounts

#### *Operation of omnibus Minor Head-800*

Booking under Minor Head '800-Other Receipts' and '800-Other Expenditure' should to be done only when the appropriate minor head has not been provided in the accounts. Routine operation of Minor Head-800 is to be discouraged, since it renders the account opaque.

During 2017-18, expenditure aggregating ₹ 11,522.30 crore (13.28 per cent of total expenditure<sup>2</sup>) was classified under Minor Head-800 under various revenue and capital Major Heads. More than 90 per cent of total expenditure on power subsidy, medium irrigation, tourism and miscellaneous general services were classified under omnibus Minor Head-800 instead of depicting these under distinct heads of accounts.

This issue was pointed out in earlier Audit Reports on State Finances also. However, operation of omnibus Minor Head has continued at the same level. Classification of substantial amounts under omnibus Minor Head '800-Other Expenditure/Receipts' affects the transparency in financial reporting.

**The Government may consider depicting the amounts of expenditure incurred under various schemes distinctly instead of clubbing the expenditure of major schemes under the Minor head '800-Other Expenditure'.**

### 3.8 Follow-up on Audit Reports

According to the instructions issued (October 1995) by the Government of Haryana, Finance Department and reiterated in July 2001, the administrative departments were to initiate *suo motu* positive and concrete action on all paragraphs and reviews featuring in the Comptroller and Auditor General's Audit Reports (ARs) regardless of whether the cases had been taken up for examination by the Public Accounts Committee (PAC) or not. The Administrative Departments were also required to furnish Action Taken Notes (ATNs) to PAC indicating the remedial action taken or proposed to be taken by them within three months of the presentation of the ARs to the Legislature.

The Audit Reports on State Finances from 2008-09 to 2015-16 have already been discussed in PAC on selective basis. The Audit Report on State Finances for the year 2016-17 was laid before State Legislature on 14<sup>th</sup> March, 2018 is yet to be discussed by PAC as ATNs from 14 departments out of total number of 30

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<sup>2</sup> Excluding loans and advances.

departments are still awaited. The matter was taken up with concerned departments (May 2018) for expediting submission of ATNs to the Audit Report.

### 3.9 Conclusion

There were substantial delays in submission of utilisation certificates and as a result proper utilisation of grants could not be ensured. In the absence of annual accounts, it could not be ascertained whether certain autonomous bodies/authorities attract the provision of Section 14 of the CAG's (DPC) Act, 1971. A large number of autonomous bodies, and departmentally run commercial undertakings did not prepare their final accounts for considerable periods. As a result, their financial position could not be assessed. Further, in cases of theft of Government money, misappropriation, loss of Government material and defalcation, departmental action was pending for long periods. 13.28 *per cent* of total expenditure was classified under omnibus minor head '800-Other Expenditure' during 2017-18.

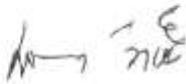
The above points were referred (November 2018) to the Additional Chief Secretary to Government of Haryana, Finance Department, their replies are awaited (February 2019).

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Dated: 23<sup>rd</sup> July 2019

  
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Dated: 29<sup>th</sup> July 2019

  
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