

CHAPTER-4

QUALITY OF ACCOUNTS AND FINANCIAL REPORTING PRACTICES

Chapter 4: Quality of Accounts and Financial Reporting Practices

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.

Issues related to completeness of accounts

4.1 Funds outside Consolidated Fund or Public Account of the State

Article 266 (1) of the Constitution of India subject to the provisions of Article 267, provides that all revenues received by the Government of a State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled “the Consolidated Fund of the State”. Article 266 (2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the Public Account of the State, as the case may be.

It has been observed that funds meant to be credited to Consolidated Fund were kept outside the Consolidated Fund of the State as discussed below:

4.1.1 Building and Other Construction Workers’ Welfare Cess

The State Government collects cess on the cost of construction incurred by employers under the Building and Other Construction Workers’ Welfare Cess Act, 1996. The collected cess is to be spent on welfare schemes for construction workers. For this purpose, Building and Other Construction Workers’ Welfare Board has been constituted. As per accounts of the Board, the total funds available with the Board as on 31 March 2018 were ₹ 2,744.34 crore. The Board received ₹ 477.69 crore during 2018-19 as labour cess, interest, etc. and spent ₹ 273.25 crore including ₹ 266.32 crore on labour welfare schemes during the year. As on 31 March 2019, the Board had funds of ₹ 2,948.78 crore.

4.1.2 Haryana Rural Development Fund

The State Government constituted the Haryana Rural Development Fund Administration Board under the Haryana Rural Development Act, 1986 for augmenting agricultural production and improving its marketing and sale. Under Section 5(1) of this Act, a fee (cess) is levied on *ad-valorem* basis at the rate of two *per cent* of the sale proceeds of the agriculture produce bought or sold or brought for processing in the notified market area. The amount so collected is spent

by the Board in the rural areas mainly in connection with the development of roads, establishment of dispensaries, making arrangement for water supplies and sanitation and construction of godowns. During 2011-19, the receipts under the fund were ₹ 4,527.92 crore and expenditure incurred was ₹ 4,046.87 crore.

Both the Acts provide for creation of separate funds for crediting the cess collected. Government departments transfer the cess collected by them to the Haryana Building and Other Construction Workers Welfare Board/Haryana Rural Development Fund Administration Board without routing these through the Consolidated Fund of the State which is against the provisions of Rule 7 (1) of the Punjab Treasury Rules and Subsidiary Treasury Rules issued thereunder read with Article 266 (1) of the Constitution of India according to which all money received by or tendered to the State Government shall without delay be paid in full to the treasury and shall be included in the Consolidated Fund of the State.

These funds are outside the Consolidated Fund of the State and hence there is no legislative oversight over collection and utilisation of money in these funds. The Thirteenth Finance Commission also expressed concern over the tendency to divert public expenditure from the budget to nominated funds which are operated outside the authority of the Legislature and the audit of the Comptroller and Auditor General of India (CAG).

In the case of Building and Other Construction Workers Welfare Fund, the Act provides for audit by CAG and the Fund is being audited. However, the Haryana Rural Development Act does not provide for audit by CAG.

4.2 Non-discharge of liability in respect of interest towards interest bearing deposits

The Government has to provide and pay interest on the amounts in the Interest-bearing Deposits namely Defined Contribution Pension Scheme for Government employees under Major Head 8342 having balance of ₹ 32.89 crore as on 31 March 2020. Against the required minimum interest of ₹ 2.63 crore at the rate of eight *per cent* per annum (GPF interest rate), no provision was made.

4.3 Non-inclusion of clear-cut liabilities

The State Government had undischarged liabilities of ₹ 15.64 crore on 31 March 2020. These liabilities are in three categories namely—(i) Bills passed by the Treasury Office but remained unpaid (₹ 0.15 crore), (ii) Bills pending with the Finance Department (₹ 15.34 crore) and (iii) Bill pending in Treasuries (₹ 0.15 crore). This has marginal impact on Revenue and Fiscal Deficits.

4.4 Funds transferred directly to State implementing agencies

The GoI has been transferring sizeable funds directly to the State implementing agencies for implementation of various schemes. GoI decided to route these funds through State Budget from 2014-15 onwards. However,

during 2019-20, the GoI transferred ₹ 4,351.10 crore directly to various implementing agencies/Non-Governmental Organisations of the State as detailed in **Table 4.1**.

Table 4.1: Funds transferred directly to implementing agencies existed in the State

(₹ in crore)

Sr. No.	Government of India Scheme	Implementing Agency	Amount
1	Mahatma Gandhi National Rural Employment Guarantee Scheme	MNREGA	249.72
2	National Handicapped Finance and Development Corporation	National Handicapped Finance and Development Corporation	1.09
3	Market Access initiative	Deloitte Touche Tohmatsu India LLP	0.93
4	MPs Local Area Development Scheme MPLADS	Deputy Commissioners to all districts	60.00
5	National Aids Control Programme III	Haryana State AIDS Control Societies	24.12
6	Research and Development Department of Biotechnology	National Brain Research Centre Translational Health Science and Technology Institute	118.23
7	Mission for Horticulture Development	National Horticulture Board, Gurugram, Haryana	29.01
8	Schemes Arising out of the Implementation of The Person With Disabilities SJE (Equal Opportunities Protection of Rights and Full Participation) Act, 1995	National Handicapped Finance and Development Corporation and NIT, Kurukshetra	0.69
9	Seekho Aur Kamao-Skill Development Initiatives	Mass Infotech Society and Others	13.01
10	National Mission on Food Processing CS (SAMPDA)	HAFED and others	50.31
11	Swadesh Darshan-Integrated Development of Theme Based Tourism Circuits	Haryana Tourism Corporation Ltd.	37.87
12	Payment for Urea Freight Subsidy	Yara Fertilisers India Pvt. Ltd.	1,840.29
13	Payment for Imported P and K Fertilisers	Mosaic India Private Limited	558.34
14	Nai Manjil-The Integrated Education and Livelihood Initiative	Indian Institute of Skill Development Private Ltd.	4.01
15	Works under Road Wing	PRL SHIV JV	94.76
16	Pradhan Mantri Matru Vandana Yojana	Women and Child Development Department	65.87
17	Pradhan Mantri Kisan Samman Nidhi	Department of Agriculture Haryana	872.14
18	Promotion of Agricultural Mechanisation for in-situ Management of Crop Residue	Directorate of Agriculture and Farmers Welfare Haryana	192.06
19	Infrastructure Development and Capacity Building (MSME)	HSIIDC, Rai and Bureau of Industrial Policy and Promotion (BIPP)	23.63
20	Science and Technology Institutional and Human Capacity Building	GJU, Hisar and others	10.33
21	Other Schemes		104.69
Total			4,351.10

Source: Finance Accounts – Appendix VI

The GoI had transferred ₹ 4,856.81 crore to various implementing agencies which existed in the State. Out of this, ₹ 4,351.10 crore were released to the State implementing agencies which was more by three *per cent* than the amount released in 2018-19 (₹ 4,226.45 crore). This is 1.52 times of the amount (₹ 2,851.99 crore) released by the GoI for centrally sponsored scheme as Grants-in-Aid, through the State Budget.

Balance funds were released to Central Bodies and other organisations outside the purview of the State Government.

4.5 Deposit of Local Funds

All the money realised or realisable under the Panchayati Raj Acts are kept as Panchayat Bodies Fund under the Major Head 8448-Deposits of Local Funds. The detail of opening balance, receipts, disbursements and closing balance under the fund during the last five years is given in **Table 4.2**.

Table 4.2: Detail of Panchyat Bodies Fund during 2015-16 to 2019-20

(₹ in crore)

Year	2015-16	2016-17	2017-18	2018-19	2019-20
Opening Balance	9.68	10.92	12.07	9.71	7.81
Receipt	5.34	6.52	3.13	2.16	1.66
Disbursement	4.10	5.37	5.49	4.06	2.13
Closing Balance	10.92	12.07	9.71	7.81	7.34

Source: Finance Accounts for the respective years

Issues related to transparency

4.6 Delay in submission of Utilisation Certificates

Rule 8.14 of the Punjab Financial Rules, Volume-1 (as applicable to Haryana State) prescribes that where grants are sanctioned and cases in which conditions are attached to the Utilisation of Grant in the form of specification of particular objects of expenditure or the time within which the money must be spent or otherwise, the departmental officer on whose signature or countersignature the Grant-in-Aid bill was drawn should be primarily responsible for certifying to the Accountant General, the fulfilment of the conditions attaching to the grant. Utilisation Certificates (UCs) outstanding beyond the specified periods indicate absence of assurance on utilisation of the grants for intended purposes and the expenditure shown in the accounts to that extent can't be treated as final. The status of outstanding UCs and year-wise break up of outstanding UCs as per records of the Principal Accountant General (Accounts and Entitlements) [PAG (A&E)] is given in *Table 4.3 and Table 4.4*.

Table 4.3: Status of outstanding Utilisation Certificates

(₹ in crore)

Due year ¹	Opening Balance		Addition		Clearance		Due for submission	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Upto 2017-18	1,879	9,062.62	8,083	8,844.56	8,374	10,106.38	1,588	7,800.80
2018-19	1,588	7,800.80	7,709	8,429.14	7,565	7,760.45	1,732	8,469.49
2019-20	1,732	8,469.49	7,892	8,914.81	7,620	6,786.72	2,004	10,597.58

Source: Compiled from the information provided by PAG (A&E) Haryana

Table 4.4: Year-wise Break-up of Outstanding UCs

Year of disbursing grants	UCs Awaited as on 31 August 2020	
	Number	Amount (₹ in crore)
2009-10	1	10.85
2010-11	8	40.08
2011-12	41	137.00
2012-13	61	425.27
2013-14	87	720.32
2014-15	96	373.91
2015-16	225	574.56
2016-17	341	1,570.17
2017-18	511	2,184.11
2018-19	633	4,561.31
Total	2,004	10,597.58

Out of total 2,004 outstanding UCs, 1,371 UCs for grants of ₹ 6,036.27 crore pertain to the period 2009-10 to 2017-18. Out of total amount of ₹ 10,598 crore

¹ UCs for GIA disbursed during 2018-19 become due only during 2019-20

for which UCs were outstanding, 83 *per cent* pertain to two departments (50 *per cent* Urban Development Department: ₹ 5,271.20 crore and 33 *per cent* Rural Development Department: ₹ 3,495.22 crore as depicted in **Appendix 4.1**.

The State Government provided GIA for general purposes as well as for creation of capital assets. 419 outstanding UCs for grants of ₹ 2,684.38 crore were relating to creation of capital assets. Since non-submission of UCs is fraught with the risk of misappropriation, it is imperative that the State Government should monitor this aspect closely and hold the concerned persons accountable for submission of UCs in a timely manner.

During the exit conference held in June 2021, the Additional Chief Secretary, Finance and Planning Department, stated that State Government would be devising an online system to receive the utilisation certificates electronically.

4.6.1 Recording of Grantee Institution as “Others”

Out of total Grants-in-Aid (GIA) of ₹ 11,337.35 crore during 2019-20, name of grantee institutions were mentioned as ‘Others’ in respect of ₹ 905.17 crore (eight *per cent* of total GIA). Out of this, ₹ 140.11 crore were meant for creation of capital assets. Position of GIA disbursed to ‘Others’ during 2015-20 is shown in **Table 4.5**.

Table 4.5: Grants-in-Aid to Grantee Institutions of Type ‘Others’

(₹ in crore)

Year	Total GIA Amount	Amount to Grantee Institutions of Type ‘Others’	Percentage to total GIA
2015-16	10,765.97	Nil	Nil
2016-17	12,647.14	Nil	Nil
2017-18	9,844.31	Nil	Nil
2018-19	10,077.83	1,129.59	11.21
2019-20	11,337.35	905.17	7.98

Source: Finance Accounts for the respective years

4.7 Abstract Contingent bills

When money is required in advance or when they are not able to calculate the exact amount required, Drawing and Disbursing Officers (DDOs) are permitted to draw money without supporting documents, through Abstract Contingent (AC) bills, by debiting service heads and the expenditure is reflected as an expense under the service head. These amounts are held under objection pending submission of Detailed Contingent (DC) bills to the PAG (A&E) within a month. Delayed submission or prolonged non-submission of DC bills may affect the completeness and correctness of accounts.

The details of AC bills, under objection, pending adjustment, as on 30 June 2020 is given in **Table 4.6**.

Table 4.6: Detail of pending DC Bills as on 30 June 2020

Year	Number of pending DC Bills	Amount (₹ in crore)
Up to 2017-18	3	1.36
2018-19	90	17.66
2019-20	552	667.66
Total	645	686.68

97.17 per cent amount of pending DC bills as on 31 March 2020 pertains to four departments viz. Food and Civil Supply Department (68.20 per cent—eight DC Bills of ₹ 468.30 crore), Transport Department (18.89 per cent—218 DC Bills of ₹ 129.72 crore), Health Department (6.67 per cent—10 DC Bills of ₹ 45.78 crore and General Education Department (3.41 per cent—305 DC Bills of ₹ 23.45 crore).

4.8 Personal Deposit Accounts

Under Para 12.16 and 12.17 of Punjab Financial Rules Volume I (as applicable to Haryana State), the State Government is authorised to open Personal Deposit (PD) accounts to deposit funds required for specific purposes by transfer of funds from the Consolidated Fund or otherwise with the approval of PAG (A&E). Transfer of funds to PD accounts is booked as expenditure from the Consolidated Fund under the concerned service Major Heads without any actual cash flow. PD accounts are normally required to be closed on the last working day of the year and the unspent balances transferred back to the Consolidated Fund and PD accounts are reopened next year, if necessary. The number of PD accounts opened by transfer from the Consolidated Fund as on 31 March 2020 were two only. Further, under Rule 12.7 of Rules *ibid*, the PD accounts which have been opened by transfer of funds other than from the Consolidated Fund, should be reviewed every year and the accounts which are inoperative for more than three complete account years should be closed and balance lying in such accounts should be credited to Government accounts.

The status of PD accounts remained open as on 31 March 2020, as per broadsheet of PD accounts is given in **Table 4.7**.

Table 4.7: Status of PD accounts as on 31 March 2020

Source of PD Account	Opening Balance		Addition during the year		Closed during the year		Closing Balance	
	No.	Amount (₹ in crore)	No.	Amount (₹ in crore)	No.	Amount (₹ in crore)	No.	Amount (₹ in crore)
Consolidated Fund	1	1,018.44	1	107.94	..	814.66 ²	2	311.72
Other than Consolidated Fund	142	308.46	10	28.65	..	37.94 ²	152	299.17
Total	143	1,326.90	11	136.59	..	852.60²	154	610.89

Five PD accounts containing ₹ 0.35 crore are inoperative for more than three years and have not been closed by the State Government in deviation of the rules.

4.9 Indiscriminate use of Minor Head-800

Minor Head 800-Other Receipts/Other Expenditure is intended to be operated 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 accounts opaque. During the year, expenditure of ₹ 10,501.79 crore under various Revenue and Capital Major Heads, constituting about 10.24 per cent of

² No PD account was closed during the year. The amount represents transactions of Minus Memoranda appearing in the Operative PD accounts during the year.

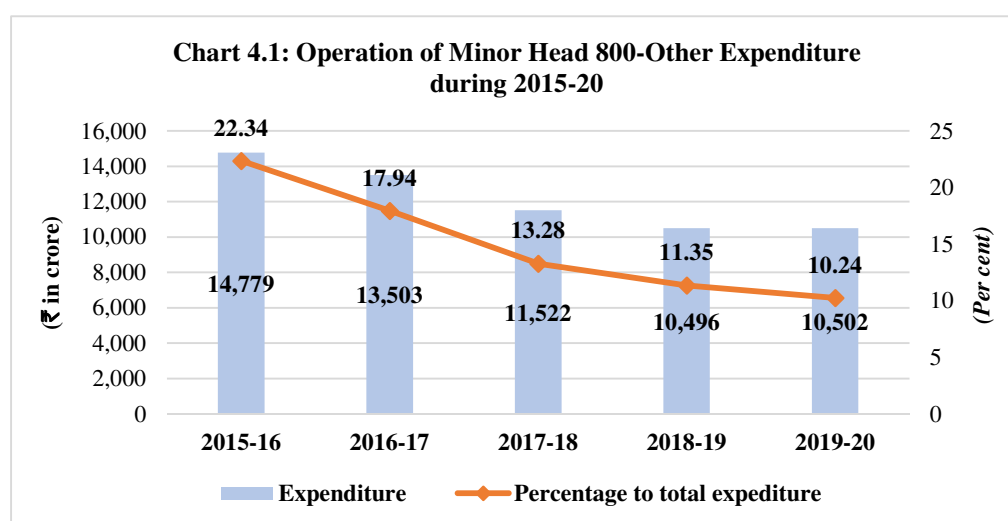
total expenditure of ₹ 1,02,514.14 crore was booked under Minor Head 800-Other Expenditure, below the concerned Major Heads. Cases where substantial proportion (more than 80 *per cent*) of the expenditure was classified under Minor Head 800-Other Expenditure are given in **Table 4.8**.

Table 4.8: Major Head-Wise detail of expenditure booked under Minor Head 800-Other Expenditure

(₹ in crore)

Sr. No.	Major Head	Description	Total Expenditure	Expenditure under Minor Head 800	Percentage
1.	2075	Miscellaneous General Services	149.42	149.15	100
2.	2250	Other Social Services	8.72	8.05	92
3.	2700	Major Irrigation	1,156.86	946.56	82
4.	2801	Power	6,978.40	6,978.40	100
5.	3435	Ecology and Environment	11.61	9.71	84
6.	4250	Capital Outlay on other Social Services	117.37	97.33	83
7.	5053	Capital Outlay on Civil Aviation	15.76	15.34	97
8.	5452	Capital Outlay on Tourism	28.85	28.85	100
Total			8,466.99	8,233.39	97

Operation of Minor Head 800-Other Expenditure is shown in **Chart 4.1** during 2015-20.



Issues related to measurement

4.10 Outstanding balances under Suspense and Remittances

The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out aggregating the outstanding debit and credit balances separately under various heads. Significant suspense items have been shown as gross debit and credit balances for the last three years, in **Table 4.9**.

Table 4.9: Details of Outstanding Suspense and Remittances Balances**(₹ in crore)**

(a) 8658-Suspense Accounts						
Minor Head	2017-18		2018-19		2019-20	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
101-Pay and Accounts Office Suspense	14.42	0.01	20.40	0.04	26.69	0.01
Net	14.41 (Dr.)		20.36 (Dr.)		26.68 (Dr.)	
102-Suspense Accounts (Civil)	14.66	0.30	14.89	..	109.94	..
Net	14.36 (Dr.)		14.89 (Dr.)		109.94 (Dr.)	
107-Cash Settlement Suspense Account	121.95	68.33	53.07	..	52.88	..
Net	53.62 (Dr.)		53.07 (Dr.)		52.88 (Dr.)	
109-Reserve Bank Suspense (Hqrs)	1.71	0.64	(-)10.56	(-)4.65	0.24	0.97
Net	1.07 (Dr.)		5.91 (Cr.)		0.73 (Cr.)	
110-Reserve Bank Suspense-Central Accounts Office	4.33	..	4.67	..	11.58	..
Net	4.33 (Dr.)		4.67 (Dr.)		11.58 (Dr.)	
112-Tax Deducted at Source Suspense	..	77.08	..	29.85	..	129.85
Net	77.08 (Cr.)		29.85 (Cr.)		129.85 (Cr.)	
(b) 8782-Cash Remittances and adjustments between officers rendering accounts to the same Accounts Office.						
Minor Head	2017-18		2018-19		2019-20	
	Cr.	Dr.	Cr.	Dr.	Dr.	Cr.
102-Public Works Remittances	54.87	231.32	90.37	431.89	30.78	333.64
Net	176.45 (Cr.)		341.52 (Cr.)		302.86 (Cr.)	
103-Forest Remittances	..	3.46	..	1.76	..	3.55
Net	3.46 (Cr.)		1.76 (Cr.)		3.55 (Cr.)	

Source: Finance Accounts

4.11 Reconciliation of Departmental figures

To exercise effective control of expenditure, to keep it within the budget grants and to ensure accuracy of their accounts, all Chief Controlling Officers (CCOs)/Controlling Officers (COs) are required to reconcile the figures of Receipts and Expenditure recorded in their books every month with the figures accounted for by the PAG (A&E). Such reconciliations of both receipts and expenditure figures under the Consolidated Fund have been completed cent *per cent*. Reconciliation of Receipts covered under Cyber Treasuries has been done.

4.12 Reconciliation of Cash Balances

The Cash Balance of the State Government upto 2019-20 as per Accounts of the PAG (A&E) was ₹ 1,644.93 crore while the same was reported as ₹ 1,667.08 crore by the Reserve Bank of India. As such, there was an unreconciled difference of ₹ 22.15 crore upto the year 2019-20. This is mainly due to incorrect reporting of transactions by Agency Banks to the Reserve Bank of India and all efforts are being made to reconcile the Cash Balance with RBI.

Following major discrepancies were noticed during inspection of RBI:

(i) Non-settlement of Penal Interest claims

The Penal Interest claims amounting to ₹ 7.11 crore have not been settled by Agency Banks/RBI. The details are given in **Table 4.10**.

Table 4.10: Details of penal interest claims

(₹ in crore)

Sr. No.	Details of Penal Interest	Amount
1	Penal interest claims on account of delayed remittances/Wrong payment	4.57
2	Penal interest for amount wrongly debited to Haryana Government instead of Punjab Government	1.27
3	Penal interest claims on account of reversal of wrong payment debited to Haryana Government	1.27
	Total	7.11

(ii) Non-settlement of claim by State Bank of India

Director General, Treasury and Accounts, Haryana has raised a claim of ₹ 1.15 crore on account of interest for the delayed period for making wrong payment in 2015-16 by State Bank of India. The same has not been settled so far.

Issues related to disclosure**4.13 Compliance to Accounting Standards**

As per Article 150 of the Constitution of India, the President of India may, on the advice of the CAG, 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 2019-20 and deficiencies therein are detailed in *Table 4.11*.

Table 4.11: Compliance to Accounting Standards

Sr. No.	Accounting Standard	Compliance by State Government	Compliance/deficiency
1	IGAS 1: Guarantees Given by the Government – Disclosure requirements	Complied (Statements 9 and 20 of Finance Accounts)	Detailed information like number of guarantees for each institution has been furnished.
2	IGAS 2: Accounting and Classification of Grants-in-Aid	Complied (Statement 10 of Finance Accounts)	(i) Grants-in-Aid of ₹ 4,863.28 crore have been shown as allocated for creation of capital assets. (ii) Information has been furnished in respect of Grants-in-Aid given in kind by the State Government.
3	IGAS 3: Loans and Advances made by Governments	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.

Source: Indian Government Accounting Standards and Finance Accounts

4.14 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, Agriculture and Justice. The audit of accounts of 36 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 4.2*.

Delay in respect of 12 autonomous bodies was of one to three years. Delay in finalisation of accounts carries the risk of financial irregularities going undetected and, therefore, the accounts need to be finalised and submitted to Audit at the earliest.

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.

4.15 Non-submission/delay in submission of accounts

In order to identify the institutions which, attract audit under Section 14 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 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 254 annual accounts of 93 autonomous bodies/authorities are awaited as on 31 July 2020. The details of these accounts are given in **Appendix 4.3** and their age-wise pendency is presented in **Table 4.12**.

Table 4.12: 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	92	447.06
2.	2-3	161	516.84
3.	4 and above	1	2.45
	Total	254	966.35

Source: Figures obtained from Government Departments and PAG (A&E)

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 35 autonomous bodies/authorities which attract audit under Section 14 of the Act, audit of 26 bodies/authorities were conducted during 2019-20.

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.

During the exit conference held in June 2021, the Additional Chief Secretary, Finance and Planning Department, stated that efforts would be made to submit the outstanding annual accounts to audit without any delay.

4.16 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 2020, five³ such undertakings had not prepared their accounts since the years ranging between 1986-87 and 2016-17. Government funds amounting to ₹ 9,159.74 crore stood invested in these undertakings. Though the arrears in preparation of accounts have been repeatedly commented in the earlier State Finances Audit Reports, 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 detailed in **Appendix 4.4**.

4.17 Timeliness and Quality of Accounts

The accounts of the State Government are compiled by Principal Accountant General (A&E) from the initial accounts rendered by district treasuries, sub-treasuries, cyber treasury, public works divisions and forest divisions, apart from the RBI advices. There are often delays in rendition of monthly accounts. Due to the failure of the account rendering units to furnish accounts on time, some accounts are excluded from the monthly Civil Accounts by the Principal Accountant General (A&E).

During 2019-20, no accounts were excluded from the monthly Civil Accounts by the Principal Accountant General (A&E), Haryana.

Other Issues

4.18 Misappropriations, losses, thefts, 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 PAG (A&E).

State Government reported 64 cases of misappropriation and defalcation involving Government money amounting to ₹ 1.34 crore on which final action was pending as of June 2020. The department-wise break up of pending cases is given in **Table 4.13**.

³ (i) Seed Depot Scheme since 1988-89; (ii) Purchase and Distribution of Pesticides since 1986-87; (iii) National Text Book Scheme since 2007-08; (iv) Grain Supply Scheme since 2016-17; and (v) Haryana Roadways since 2014-15.

Table 4.13: Pending case of misappropriations, losses, theft, defalcations, etc.

(₹ in lakh)

Sr. No.	Name of Department	Cases of misappropriation/ losses/ theft of Government material		Reasons for delay in final disposal of pending cases of misappropriation, losses, thefts, etc					
				Awaiting departmental investigation or pending in courts of law		Departmental action initiated but not finalised		Awaiting orders for recovery or write off	
		Number of cases	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
1	Development and Panchayat	01	6.50	0	0.00	01	6.50	0	0.00
2	Animal Husbandry and Dairying	01	0.08	0	0.00	01	0.08	0	0.00
3	Education	23	43.02	02	0.62	19	41.54	02	0.86
4	Haryana Skill Development and Industries Training	02	0.87	01	0.47	01	0.40	0	0.00
5	Labour and Employment	02	0.15	0	0.00	02	0.15	0	0.00
6	Police	01	3.79	01	3.79	0	0.00	0	0.00
7	Social Justice and Empowerment	03	8.63	0	0.00	02	5.93	01	2.70
8	Sports and Youth Welfare	01	39.58	0	0.00	01	39.58	0	0.00
9	Technical Education	01	6.52	0	0.00	01	6.52	0	0.00
10	Town and Country Planning	01	1.44	0	0.00	01	1.44	0	0.00
11	Transport	02	3.77	02	3.77	0	0.00	0	0.00
12	Treasury and Accounts	01	6.27	01	6.27	0	0.00	0	0.00
13	Women and Child Development	02	10.52	02	10.52	0	0.00	0	0.00
14	Irrigation	21	2.27	0	0.00	18	2.05	03	0.22
15	Public Health	02	0.65	0	0.00	02	0.65	0	0.00
	Total	64	134.06	09	25.44	49	104.84	06	3.78

The age-profile of the pending cases and the number of cases pending in each category-theft and misappropriation/loss of Government material is summarised in *Table 4.14*.

Table 4.14: 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	30	104.85	Theft cases	52	106.66
5-10	03	3.12			
10-15	06	11.59	Misappropriation/ loss of Government material	12	27.40
15-20	05	7.63			
20-25	05	3.41			
25 and above	15	3.46			
Total	64	134.06	Total pending cases as of June 2020	64	134.06

Out of the total loss cases, 52 cases amounting to ₹ 106.66 lakh were related to theft of Government money/store. Further, in respect of 49 cases (₹ 104.84 lakh) of losses, departmental action had not been finalised while six cases (₹ 3.78 lakh) were outstanding for want of orders of the competent authority for recovery or write off of losses. It was further noticed that out of 64 cases of losses due to theft/misappropriation, 34 cases of ₹ 29.21 crore were more than five years old, including 20 cases, which were more than 20 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.

4.19 Follow-up action on State Finances Audit Report

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 CAG's Audit Reports 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 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 State Finances Audit Reports for the year 2017-18 was laid before State Legislature on 6th August, 2019 and this report is under discussion in PAC on selective basis (November 2020). State Finances Audit Report for the year 2018-19 was laid before State Legislature on 26th August 2020. This report has become due for discussion after November 2020.

4.20 Conclusions

Receipts of ₹ 4,527.92 crore collected under Haryana Rural Development Fund were not credited to Consolidated Fund of the State during 2011-19. Similarly, Government departments transferred cess collected under the Building and Other Construction Worker's Welfare Cess Act, 1996 to the Haryana Building and Other Construction Workers Welfare Board without routing these through the Consolidated Fund of the State. As on 31 March 2019, the Board had funds of ₹ 2,948.78 crore.

There were substantial delays in submission of utilisation certificates, which indicates lack of internal control of administrative departments and is an indication of the tendency on the part of the Government to disburse fresh grants

without ascertaining proper utilisation of earlier grants. 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. 10.24 *per cent* of total expenditure was classified under omnibus Minor Head '800-Other Expenditure' during 2019-20.

4.21 Recommendations

- i. The Government should prescribe a proper accounting procedure for collection and utilisation of Building and Other Construction Workers' Welfare Cess and Haryana Rural Development Fund so that data is easily accessible from the State Accounts.
- ii. The Government should ensure timely submission of utilisation certificates by the departments in respect of the grants released for specific purposes.
- iii. The Finance Department may review all PD accounts to ensure that all amounts unnecessarily lying in these PD accounts are immediately remitted to the Consolidated Fund. Further, the Finance Department should reiterate the instructions contained in the financial rules and ensure that appropriate action is taken against departmental officers who fail to follow the rules.
- iv. Finance Department should put in place 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.
- v. The Government may consider preparing a time bound framework for taking prompt action in cases of misappropriation, loss, theft, etc. and strengthening the internal control system to prevent recurrence of such cases.
- vi. The Government should ensure adjustment of Abstract Contingent bills within stipulated period, as required under the Rules.

- vii. The Finance Department may, in consultation with the Principal Accountant General (A&E), conduct a comprehensive review of all items presently appearing under Minor Head-800 and ensure that in future all such receipts and expenditure are booked under the appropriate heads of account.

The above points have been referred (December 2020) to the Government of Haryana for comments and replies. Response from the Government was awaited (January 2021).

Vishal Bansal

(VISHAL BANSAL)

Chandigarh

Dated: 02 August 2021

Principal Accountant General (Audit), Haryana

Countersigned

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New Delhi

Dated: 23 August 2021

Comptroller and Auditor General of India