

CHAPTER-IV
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/Public Account of the State were kept outside the Consolidated Fund/Public Account 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 2020 were ₹ 3,118.96 crore. The Board received ₹ 453.08 crore during 2020-21 as labour cess, interest, etc. and spent ₹ 388.82 crore on labour welfare schemes during the year. As on 31 March 2021, the Board had funds of ₹ 3,183.22 crore (figures for 2020-21 are provisional and accounts yet to be finalised).

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 2011-20, the receipts under the fund were ₹ 5,385.84 crore and expenditure incurred was ₹ 4,749.98 crore. Annual Accounts for the year 2020-21 were yet to be prepared.

4.1.3 Haryana Infrastructure Development Board

State Government constituted Haryana Infrastructure Development Board under Section 3AA of Haryana Development and Regulation of Urban Areas Act, 1975 to coordinate the efforts of the Government regarding development and implementation of infrastructure projects for the benefit of State of Haryana, involving private participation and funding from sources other than those provided by State Budget. The Board is specifically excluded from playing any role in infrastructure projects undertaken by the Government exclusively through its budgetary provisions. Chief Minister of Government of Haryana is the Chairman of the Board. The Board may constitute an executive committee consisting of Chief Secretary to Government of Haryana as its Chairman and other members to aid and assist it in the discharge of its functions. Chief Administrator, who is in-charge of the office to be appointed by the Government of Haryana, assist in its day to day functioning.

Any coloniser to whom a license has been given under Haryana Development and Regulation of Urban Area Act, 1975, is required to deposit State Infrastructure Development Charges at such rate as may be prescribed by the Government from time to time. The Fund shall be collected and managed by the Director, Town and Country Planning Department and passed on for the purpose of its further utilisation to the Board to be constituted by the Government for this purpose. The amount of State infrastructure development charges and infrastructure augmentation charges deposited by the colonisers, loans and grants from the Central/State Government, or the local authority, or loans and grants from national/international financial institutions and any other money form such source as the State Government may decide, shall be credited to the Fund. The Fund shall be utilised for stimulating socio-economic growth and development of major infrastructure projects for the benefit of the State of Haryana. The fund may also be utilised to meet the cost

of administering the Fund. The funds are received by Director, Town and Country Planning Department directly in bank accounts outside Consolidated Fund/Public Account of the State Government.

During 2020-21, the receipt of the board was ₹ 525.69 crore and expenses were ₹ 73.36 crore. Total Corpus of the Fund was ₹ 2,981.29 crore at the end of the year 2020-21 (Provisional figures as the annual accounts for the year 2020-21 were yet to be finalised).

4.1.4 Haryana Urban Infrastructure Development Board

The Haryana Urban Infrastructure Development Board (HUIDB) was constituted (April 2002) by amending Haryana Municipal (HM) Act, 1973 to raise resources for provision and up gradation of urban infrastructure; town planning implementation techniques; providing training facilities/human resources development in urban management and coordination, planning and implementation of the approved schemes/projects of the municipalities. The governing body of HUIDB consists of a Chairman, Vice-Chairman, Chief Administrator, Secretary and nine other ex-officio members appointed by the State Government and there was no representation from ULBs.

As per Section 203L of HM Act, HUIDB constituted a fund¹ consisting of receipt on account of license fee, scrutiny fee, land use conversion charges, composition fee for granting license to private developers and permission for change in land use by the Department of Urban Local Bodies under State Municipal Acts, grants, loans and financial assistance provided by Government of India/State Government and any other fee/charges specified by the Government.

During 2020-21, the receipt of the board was ₹ 44.19 crore and expenses ₹ 49.17 crore. Total Corpus of the Fund was ₹ 182.53 crore at the end of the year 2020-21.

These funds are outside the Consolidated Fund of the State/Public Account 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 authority of the Legislature and 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, Haryana Infrastructure Development Board and Haryana Urban Infrastructure Development Board do not provide for audit by CAG.

¹ Haryana Urban Infrastructural Development Fund.

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 ₹ 43.07 crore as on 31 March 2021. An interest liability on this amount not transferred to NSDL; incorrectly used the funds that belongs to its employees and deprived the beneficiaries from intended benefit of interest or return on fund and current liabilities stands deferred to future years.

4.3 Off budget borrowings

As per Para 10 (3) of Haryana FRBM Act 2005, whenever the State Government undertakes unconditionally and substantially to repay the Principal amount and/or pay the interest of any separate legal entity, it has to reflect such liability as the borrowings of the State.

Haryana Police Housing Corporation Limited (HPHCL) raised two loans of ₹ 550 crore (October 2015) and ₹ 300 crore (January 2011) from Housing and Urban Development Corporation Limited (HUDCO). The sanctions for Loan Guarantees were issued by Home Department with concurrence of Finance Department, Government of Haryana. As per conditions of the sanctions, the repayment of Principal as well as Interest will be made as per loan agreement. According to these conditions, State Government will make annual allocation of funds in the Budget to the tune earmarked in Loan Agreement along with interest for making repayment to HUDCO. Accordingly, the Finance Department stands committed to provide required funds to HPHCL for the repayment of both the principal and interest. Thus, these were in the nature of Off Budget borrowings.

As per sanctions issued by Home Department, the amount released towards the repayment of Principal and Interest of loans were shown as Grants-in-Aid in the Budget and Accounts in contravention of Haryana FRBM Act 2005. Non-reflecting the loans in the Finance Account resulted in understatement of borrowings to that extent.

During the year 2020-21 HPHCL repaid amount of ₹ 63.75 crore (₹ 22.50 crore plus ₹ 41.25 crore) towards these loans to HUDCO against the outstanding loans amounting to ₹ 419.50 crore at the beginning of year i.e. 01 April 2020. Loans of ₹ 50 crore has been raised during the year leaving outstanding loans balance of ₹ 405.75 crore at the end of the year i.e. 31 March 2021.

4.4 Funds transferred directly to State implementing agencies

Government of India (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 2020-21, GoI transferred ₹ 7,118.68 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 the 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	614.18
2	Schemes for Differently Abled Persons	National Handicapped Finance and Development Corporation	0.39
3	MPs Local Area Development Scheme MPLADS	Deputy Commissioners to all districts	12.50
4	National Aids Control Programme III	Haryana State AIDS Control Societies	22.98
5	National Hydro Electric Power Corporation	NHPC Ltd.	65.31
6	Research and Development Department of Biotechnology	National Brain Research Centre Translational Health Science and Technology Institute	301.88
7	Support to National Institute of Technology (NITS) including Ghani Khan institute	NIT, Kurukshetra	103.63
8	Mission for Horticulture Development	National Horticulture Board, Gurugram, Haryana	103.75
9	Seekho Aur Kamao- Skill Development Initiatives	Mass Infotech Society and Others	17.34
10	Project based Support to Autonomous Institutions	National Council for Cement & Building Materials	20.51
11	National Mission on Food Processing CS (SAMPDA)	HAFED and others	27.07
12	National Power Training Institute Power	National Power Training Institute	18.45
13	Integrated Power Development Scheme	Power Grid Corporation of India limited	131.68
14	Swadesh Darshan - Integrated Development of Theme Based Tourism Circuits	Haryana Tourism Corporation Ltd.	13.81
15	Payment for Urea Freight Subsidy	Yara Fertilisers India Pvt. Ltd.	2,823.27
16	Payment for Imported P and K Fertilisers	Mosaic India Private Limited	1,104.52
17	Nai Manjil- The Integrated Education and Livelihood Initiative	Indian Institute of Skill Development Private Ltd.	1.72
18	Works under Road Wing	Maan Builders, KCC Buildcon Pvt. Ltd. and others	90.58
19	Pradhan Mantri Matru Vandana Yojana	Women and Child Development Department	3.33
20	Rashtriya Gokul Mission	Haryana Livestock Development Board	0.96
21	Pradhan Mantri Kisan Samman Nidhi	Department of Agriculture, Haryana	1,199.35
22	Promotion of Agricultural Mechanisation for in-situ Management of Crop Residue	Directorate of Agriculture and Farmers Welfare, Haryana	170.00
23	Infrastructure Development and Capacity Building (MSME)	Bureau of Industrial Policy and Promotion (BIPP) & MSME Technology Centre, Rohtak	9.64
24	Science and Technology Institutional and Human Capacity Building	GJU Hisar and others	3.10
25	National Animal Disease Control Programme for Foot & Mouth Disease (FMD) & Brucellosis	Haryana Livestock Development Board	10.11
26	Institute of Pesticides Formulation Technology (IPFT)	Institute of Pesticide Formulation Technology	10.50
27	Research and Development (DST)	Indo-German Science & Technology Centre & Other Universities	10.91
28	Atal Innovation Mission (AIM) including Self Employment and Talent Utilisation (SETU)	Tycheejuno Speciality Tyres Pvt. Ltd. & Other Schools	13.13
29	Assistance to State Agencies for intra-state movement of food grains and FPS dealers margin under NFSA	Director Food Civil Supplies and Consumer Affairs Haryana	19.23
30	Atal Bhujal Yojna	SPMU, I&WR Dept. Haryana	20.80
31	Kisan Urja Suraksha Evam Uttthan Mahabhiyan –Off Grid (KUSUM)	Haryana Renewable Energy Development Agency	51.33
32	Other Schemes		122.72
		Total	7,118.68

Source: Finance Accounts–Appendix VI

The GoI had transferred ₹ 7,347.62 crore to various implementing agencies which existed in the State. Out of this, ₹ 7,118.68 crore was released to the State implementing agencies which was more by 63.61 *per cent* than the amount released in 2019-20 (₹ 4,351.10 crore). This is 2.27 times of the amount (₹ 3,135.18 crore) released by the GoI for Centrally Sponsored Schemes as Grants-in-Aid, through the state budget. Remaining funds of ₹ 228.94 crore (₹ 7,347.62 crore – ₹ 7,118.68 crore) were released to Central Bodies and other organisations.

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 Panchayat Bodies Fund during 2016-17 to 2020-21

Year	(₹ in crore)				
	2016-17	2017-18	2018-19	2019-20	2020-21
Opening Balance	10.92	12.07	9.71	7.81	7.34
Receipt	6.52	3.13	2.16	1.66	2.34
Disbursement	5.37	5.49	4.06	2.13	0.91
Closing Balance	12.07	9.71	7.81	7.34	8.77

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 Accountant General (Accounts and Entitlements) [AG (A&E)] is given in **Table 4.3 and Table 4.4**.

Table 4.3: Status of outstanding Utilisation Certificates

(₹ in crore)

Due year ²	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
2020-21	2,004	10,597.58	730	6,425.48	292	2,472.28	2,442	14,550.78

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

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

Year of disbursing grants	UCs Awaited as on 31 August 2021	
	Number	Amount (₹ in crore)
2009-10	1	10.85
2010-11	7	33.08
2011-12	41	137.00
2012-13	58	305.37
2013-14	87	720.32
2014-15	92	343.56
2015-16	198	478.92
2016-17	321	1,386.13
2017-18	430	1,744.54
2018-19	485	2,969.72
2019-20	722	6,421.29
Total	2,442	14,550.78

Out of total 2,442 outstanding UCs, 1,720 UCs for grants of ₹ 8,129.49 crore pertain to the period 2009-10 to 2018-19. Out of total amount of ₹ 14,550.78 crore for which UCs were outstanding, 95.17 per cent pertain to four departments (42.94 per cent-Rural Development Department: ₹ 6,248.51 crore, 41.37 per cent-Urban Development Department: ₹ 6,019.63 crore, 5.54 per cent-Health Department: ₹ 805.11 crore and 5.32 per cent-General Education Department: ₹ 774.14 crore as depicted in *Appendix 4.1*.

Further, out of 1,352 total due UCs (pertains to MH 2501: 208 UCs; MH 2505: 40 UCs and MH 2515: 1,104 UCs) of Rural Development Department, 1,104 UCs (Major Head 2515-Other Rural Development Programmes) were scrutinised in the office of the Directorate of Rural Development Department and Development and Panchayat Department during August 2021.

As of July 2021, the status of outstanding UCs and year-wise break up of outstanding UCs pertaining to Major Head 2515-Other Rural development Programme is given in *Table 4.5*.

² UCs for GIA disbursed during 2019-20 become due only during 2020-21.

Table 4.5: Status of outstanding Utilisation Certification**(₹ in crore)**

Year	UCs due		UCs received		UCs outstanding		Grants for General purpose		Grants for Asset Creation	
	Items	Amounts	Items	Amounts	Items	Amounts	Items	Amounts	Items	Amounts
2009-10	1	10.85	-	-	1	10.85	-	-	1	10.85
2010-11	8	40.08	1	7.00	7	33.08	-	-	7	33.08
2011-12	41	137.00	-	-	41	137.00	1	2.74	40	134.26
2012-13	39	88.02	-	-	39	88.02	-	-	39	88.02
2013-14	69	368.67	-	-	69	368.67	-	-	69	368.67
2014-15	57	179.90	2	10.56	55	169.34	-	-	55	169.34
2015-16	95	152.75	-	-	95	152.75	7	0.25	88	152.50
2016-17	134	289.35	1	16.67	133	272.68	3	2.66	130	270.02
2017-18	64	205.68	-	-	64	205.68	6	0.19	58	205.49
2018-19	241	1,181.31	4	133.62	237	1,047.69	21	1.02	216	1,046.67
2019-20	355	2,757.15	-	-	355	2,757.15	-	-	355	2,757.15
Total	1,104	5,410.76	8	167.85	1,096	5,242.91	38	6.86	1,058	5,236.05

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

It is imperative that the State Government should monitor this aspect closely and devise a mechanism for submission of UCs in a timely manner which would enable assurance of expenditure and desired outputs/outcomes.

4.6.1 Recording of Grantee Institution as 'Others'

Out of total Grants-in-Aid (GIA) of ₹ 13,012.47 crore during 2020-21, name of grantee institutions was mentioned as 'Others' in respect of ₹ 1,329.75 crore (10.22 per cent of total GIA). Out of this, ₹ 206.23 crore was meant for creation of capital assets. Position of GIA disbursed to 'Others' during 2016-21 is shown in **Table 4.6**.

Table 4.6: 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
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
2020-21	13,012.47	1,329.75	10.22

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 office of the Accountant General (Accounts and Entitlements) of the State 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 31 March 2021 is given in **Table 4.7**.

Table 4.7: Detail of pending DC Bills as on 31 March 2021

Year	Number of pending DC Bills	Amount (₹ in crore)
Up to 2018-19	84	8.40
2019-20	182	214.03
2020-21	453	549.65
Total	719	772.08

98.21 *per cent* amount of pending DC bills as on 31 March 2021 pertains to four departments viz. Food and Civil Supply Department (81.59 *per cent*-eight DC Bills of ₹ 629.95 crore), Health Department (9.80 *per cent*-16 DC Bills of ₹ 75.62 crore), General Education Department (4.64 *per cent*-462 DC Bills of ₹ 35.84 crore) and Transport Department (2.18 *per cent*-22 DC Bills of ₹ 16.85 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 Accountant General (Accounts and Entitlements). 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 2021 were seven. 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 2021, as per broadsheet of PD accounts, is given in **Table 4.8**.

Table 4.8: Status of PD accounts as on 31 March 2021

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	2	311.72	5	3,301.06	..	2,044.99 ³	7	1,567.79
Other than Consolidated Fund	152	299.17	5	17.05	..	12.84 ³	157	303.38
Total	154	610.89	10	3,318.11	..	2,057.83³	164	1,871.17

Eleven PD accounts containing ₹ 0.97 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

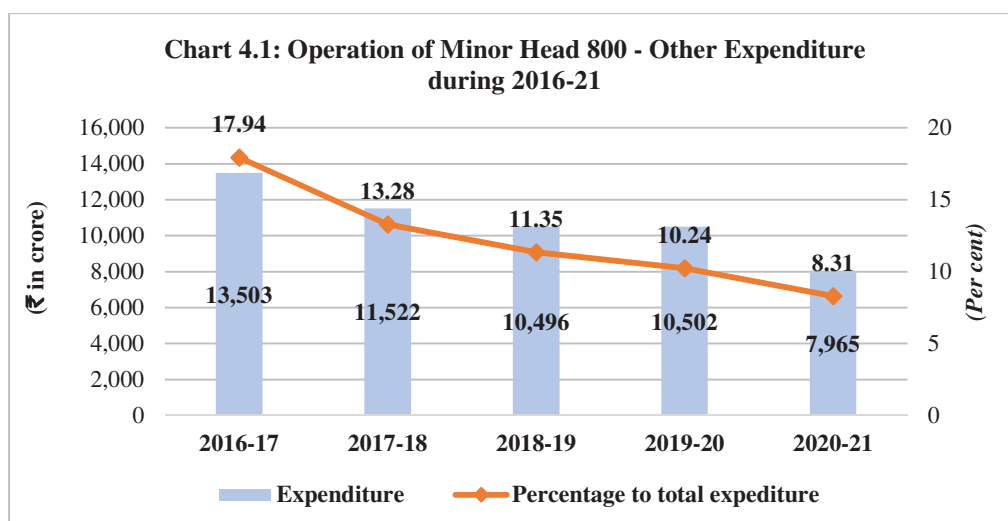
Minor Head 800-Other Receipts/Other Expenditure is intended to be operated only when the appropriate minor head has not been provided in the accounts. Routine operation of Minor Head-800 is to be discouraged since it renders the accounts opaque. During the year, expenditure of ₹ 7,964.58 crore under various Revenue and Capital Major Heads, constituting about 8.31 per cent of total expenditure of ₹ 95,816.30 crore and receipts of ₹ 3,510.62 crore constituting 5.20 per cent of total receipts of ₹ 67,561.01 crore were booked under Minor Head 800-Other Expenditure/Receipts, below the concerned Major Heads. Cases where substantial proportion (more than 75 per cent) of the expenditure was classified under Minor Head 800-Other Expenditure are given in *Table 4.9*.

Table 4.9: 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	383.87	383.69	99.95
2.	2700	Major Irrigation	1,243.78	959.78	77.17
3.	2701	Medium Irrigation	218.14	181.67	83.28
4.	2801	Power	5,565.33	5,099.93	91.64
Total			7,411.12	6,625.07	89.39

Operation of Minor Head 800-Other Expenditure is shown in *Chart 4.1* during 2016-21.

³ No PD account was closed during the year. The amount represents transactions of Minus Memoranda appearing in the Operative PD accounts during the year.



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 4.10*.

Table 4.10: Detail of Outstanding Suspense and Remittances Balances

(₹ in crore)

(a) 8658- Suspense Accounts						
Minor Head	2018-19		2019-20		2020-21	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
101- Pay and Accounts Office Suspense	20.40	0.04	26.69	0.01	30.76	0.01
Net	20.36 (Dr.)		26.68 (Dr.)		30.75 (Dr.)	
102- Suspense Accounts (Civil)	14.89	..	109.94	..	15.79	-
Net	14.89 (Dr.)		109.94 (Dr.)		15.79 (Dr.)	
107- Cash Settlement Suspense Account	53.07	..	52.88	..	42.08	-
Net	53.07 (Dr.)		52.88 (Dr.)		42.08 (Dr.)	
109- Reserve Bank Suspense (Hqrs)	(-)10.56	(-)4.65	0.24	0.97	(-) 9.86	(-) 1.14
Net	5.91 (Cr.)		0.73 (Cr.)		8.72 (Cr.)	
110- Reserve Bank Suspense-Central Accounts Office	4.67	..	11.58	..	19.95	20.30
Net	4.67 (Dr.)		11.58 (Dr.)		0.35 (Cr.)	
112- Tax Deducted at Source Suspense	..	29.85	..	129.85	-	55.32
Net	29.85 (Cr.)		129.85 (Cr.)		55.32 (Cr.)	
(b) 8782-Cash Remittances and adjustments between officers rendering accounts to the same Accounts Office.						
Minor Head	2018-19		2019-20		2020-21	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
102- Public Works Remittances	90.37	431.89	30.78	333.64	31.05	357.09
Net	341.52 (Cr.)		302.86 (Cr.)		326.04 (Cr.)	
103- Forest Remittances	..	1.76	..	3.55	-	4.11
Net	1.76 (Cr.)		3.55 (Cr.)		4.11 (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 Accountant General (Accounts and Entitlements). 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 2020-21 as per Accounts of the Accountant General (Accounts and Entitlements) was ₹ 463.47 crore while the same was reported as ₹ 375.01 crore by the Reserve Bank of India. As such, there was an unreconciled difference of ₹ 88.46 crore upto the year 2020-21. 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.

4.12.1 Non-Accounting of Interest on Advances for Deposit Works

Haryana Police Housing Corporation Limited (HPHCL) executes construction related works of various departments of the Government of Haryana. For this purpose, funds are placed in advance at the disposal of HPHCL. Home Department, Government of Haryana has placed many advances at the disposal of HPHCL, during the period from 2004-05 to 2020-21. According to the instructions issued by Finance Department vide No. 28/43/2010-1 B&C dated 09 March 2011, all such boards, corporations/societies to whom various departments provide funds for work/purchase will pay an interest at the rate of six *per cent* per annum to such departments on half yearly basis till the funds are actually utilised by them and Administrative Department will be responsible for recovering and depositing the same in receipt Head of the Government.

As per the books of HPHCL, an amount of ₹ 106.44 crore up to 2019-20 and ₹ 9.75 crore for 2020-21 was accounted as interest earned on advances made by the Home Department and shown as liability side of balance sheet and allocated the same to respective works. However, the interest amount shown as receipt from Government funds (Advances) was not accounted in the Finance Account. Non-accounting of interest earned in Finance Accounts of State Government, which has been shown as received from Government in books of accounts of HPHCL has resulted in understatement of revenue

receipt to that extent. Further, as the funds were retained by HPHCL and allocated to various works, the expenditure was also accordingly understated in the books of State Government.

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 2020-21 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 ₹ 5,709.07 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 37 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 21 autonomous bodies was of one to four 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 199 annual accounts of 97 autonomous bodies/authorities are awaited as on 31 July 2021. 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	97	485.40
2.	2-3	100	385.84
3.	4 and above	2	12.12
	Total	199	883.36

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.

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.

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 2021, five⁴ such undertakings had not prepared their accounts since

⁴ (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 2017-18; and (v) Haryana Roadways since 2014-15.

the years ranging between 1986-87 and 2017-18. Government funds amounting to ₹ 10,272.47 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 Accountant General (Accounts and Entitlements) of the State from the initial accounts rendered by district treasuries, sub-treasuries, cyber treasury, public works divisions and forest divisions, apart from the RBI advices.

During 2020-21, no accounts were excluded from the monthly Civil Accounts by the Accountant General (Accounts and Entitlements), Haryana on account of delays by the account rendering units of the State concerned.

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 63 cases of misappropriation and defalcation involving Government money amounting to ₹ 1.32 crore on which final action was pending as of June 2021. The department-wise break up of pending cases is given in **Table 4.14**.

Table 4.14: 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
1	Development and Panchayat	01	6.50	Nil	Nil	01	6.50	Nil	Nil
2	Animal Husbandry and Dairying	01	0.08	Nil	Nil	01	0.08	Nil	Nil
3	Education	22	41.63	01	0.09	20	41.54	1	Nil
4	Haryana Skill Development and Industries Training	02	0.87	01	0.47	01	0.40	Nil	Nil
5	Labour and Employment	02	0.15	Nil	Nil	02	0.15	Nil	Nil
6	Police	01	3.79	01	3.79	Nil	Nil	Nil	Nil
7	Social Justice and Empowerment	03	8.63	Nil	Nil	02	5.93	01	2.70
8	Sports and Youth Welfare	01	39.58	Nil	Nil	01	39.58	Nil	Nil
9	Technical Education	01	6.52	Nil	Nil	01	6.52	Nil	Nil
10	Town and Country Planning	01	1.44	Nil	Nil	01	1.44	Nil	Nil
11	Transport	02	3.77	02	3.77	Nil	Nil	Nil	Nil
12	Treasury and Accounts	01	6.27	01	6.27	Nil	Nil	Nil	Nil
13	Women and Child Development	04	10.52	02	10.52	2	Nil	Nil	Nil
14	Irrigation	19	2.07	Nil	Nil	17	1.85	02	0.22
15	Public Health	02	0.65	Nil	Nil	02	0.65	Nil	Nil
	Total	63	132.47	8	24.91	51	104.64	4	2.92

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 4.15*.

Table 4.15: 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	33	104.85	Theft cases	54	106.46
5-10	02	3.12			
10-15	03	1.10	Misappropriation/ loss of Government material	9	26.01
15-20	07	17.92			
20-25	05	3.41			
25 and above	13	2.07			
Total	63	132.47	Total pending cases as of June 2021	63	132.47

Out of the total loss cases, 54 cases of ₹ 106.46 lakh are related to theft of Government money/store. Further, in respect of 51 cases (₹ 104.64 lakh) of losses, departmental action had not been finalised while four cases of ₹ 2.92 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 63 cases of

losses due to theft/misappropriation, 30 cases of ₹ 27.62 lakh were more than five year old, including 18 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 Comptroller and Auditor General of India's Audit Reports regardless of whether the cases had been taken up for examination by the Legislative Committees of the State Legislature including Public Accounts Committee (PAC) or not. The Administrative Departments were also required to furnish Action Taken Notes to the concerned Legislative Committee indicating the remedial action taken or proposed to be taken by them within three months of the presentation of the Audit Reports to the Legislature.

The State Finances Audit Reports for the year 2018-19 was laid before State Legislature on 26 August 2020 and this report is under discussion on selective basis in Public Accounts Committee (August 2021). Action Taken Notes (ATNs) on two paragraphs (3.2 and 3.6) were not submitted by 26 Administrative Departments out of 39 Administrative Departments.

4.20 Conclusions

Receipts of ₹ 5,385.84 crore collected under Haryana Rural Development Fund were not credited to Consolidated Fund of the State during 2011-20, also funds collected ₹ 2,981.29 crore under Haryana Infrastructure Development Board and ₹ 182.53 crore under Haryana Urban Infrastructure Development Board at the end of the year 2020-21 were not credited to Consolidated Fund of the State. 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/Public Account of the State. As on 31 March 2021, the Board had funds of ₹ 3,183.22 crore.

No accounts were excluded from the monthly Civil Accounts by the Accountant General (Accounts and Entitlements), Haryana during the year 2020-21.

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. 8.31 *per cent* of total expenditure was classified under Omnibus Minor Head '800-Other Expenditure' during 2020-21.

4.21 Recommendations

- (i) The Government should prescribe a proper accounting procedure for collection and utilisation of Building and Other Construction Workers' Welfare Cess, Haryana Rural Development Fund, the Haryana Infrastructure Development Board and Haryana Urban Infrastructure Development Board so that the collection and transfer of amounts to the concerned Boards is incorporated in the Annual Financial Statements of the State and subjected to legislative oversight.
- (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 lying in these PD accounts are immediately remitted to the Consolidated Fund where they are required to be remitted.
- (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. Internal Control System for deterring delayed submission of adjustment of Abstract Contingent Bills is required to be strengthened.
- (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 to enhance transparency in financial reporting.