

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 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/Funds namely Defined Contribution Pension Scheme, State Compensatory Afforestation Deposit and Mines and Mineral Development, Restoration and Rehabilitation Fund. During the year 2022-23, Government has not paid interest amounting to ₹ 1.33 crore towards Defined Contribution Pension Scheme. This has resulted in understatement of revenue and fiscal deficit to that extent.

4.2 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. The State Government's liability for repayment of loan (₹ 845.35 crore of which ₹ 22.05 crore raised during the year 2022-23) transacted by Haryana Police Housing Corporation Limited was not reflected as debt of the Government of Haryana in the accounts. Loan amount of ₹ 279.10 crore was outstanding in books of accounts of HPHCL towards HUDCO as on 31st March 2023. Not reflecting the loans in the Finance Accounts resulted in understatement of borrowing to the extent.

4.3 Funds transferred directly to implementing agencies in the State

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 2022-23, GoI transferred ₹ 14,423.48 crore directly to various implementing agencies/Non-Governmental Organisations which included transfer to intermediaries/beneficiaries in the State as detailed in *Appendix 4.1*.

4.4 Deposit of Local Funds

All 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 details of opening balance, receipts, disbursements and closing balance under the fund during the last five years is given in *Table 4.1*.

Table 4.1: Details of Panchayat Bodies Fund during 2018-19 to 2022-23

(₹ in crore)

| Year | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|-----------------|---------|---------|---------|---------|---------|
| Opening Balance | 9.71 | 7.81 | 7.34 | 8.77 | 9.05 |
| Receipt | 2.16 | 1.66 | 2.34 | 0.68 | 0.87 |
| Disbursement | 4.06 | 2.13 | 0.91 | 0.40 | 0.79 |
| Closing Balance | 7.81 | 7.34 | 8.77 | 9.05 | 9.13 |

Source: Finance Accounts for the respective years

Issues related to transparency

4.5 Delay in submission of Utilisation Certificates

Rule 8.14 of the Punjab Financial Rules, Volume-1 (as applicable to Haryana State)/Financial Rules/Financial Code, Utilisation Certificates (UCs) in respect of Grants-in-Aid received by the grantee should be furnished by the grantee to the authority that sanctioned it, within 12 months of closure of financial year of sanction of grant. Non submission of UCs, carries a risk that the amount shown in the Finance Accounts had not reached the beneficiaries. In those 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. 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 cannot 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) is given in **Table 4.2** and **Table 4.3**.

Table 4.2: 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 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 |
| 2021-22 | 2,442 | 14,550.78 | 654 | 5,333.74 | 265 | 1,583.19 | 2,831 | 18,301.02 |
| 2022-23 | 2,831 | 18,301.02 | 695 | 6,800.26 | 866 | 7,124.62 | 2,660 | 17,976.65 |

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

Out of 2,831 outstanding utilisation certificates (as on 31 March 2022) amounting to ₹ 18,301.02 crore, 866 UCs of ₹ 7,124.62 crore pertaining to previous years were cleared during the year 2022-23. 2,660 UCs amounting to ₹ 17,976.65 crore were still outstanding as on 31 March 2023.

Table 4.3: Year-wise Break-up of Outstanding UCs

| Year of disbursing grants | UCs Awaited as on 31 March 2023 | |
|---------------------------|---------------------------------|---------------------|
| | Number | Amount (₹ in crore) |
| 2009-10 | 1 | 10.85 |
| 2010-11 | 7 | 33.08 |
| 2011-12 | 41 | 137.00 |
| 2012-13 | 51 | 247.88 |
| 2013-14 | 78 | 562.58 |
| 2014-15 | 66 | 200.71 |
| 2015-16 | 149 | 309.11 |
| 2016-17 | 205 | 611.94 |
| 2017-18 | 188 | 885.47 |
| 2018-19 | 315 | 2,202.89 |
| 2019-20 | 455 | 3,514.38 |
| 2020-21 | 409 | 2,460.50 |
| 2021-22 | 695 | 6,800.26 |
| Total | 2,660 | 17,976.65 |

Out of total 2,660 outstanding UCs, 1,965 UCs for grants of ₹ 11,176.39 crore pertain to the period 2009-10 to 2020-21. Out of total amount of ₹ 17,976.65 crore for which UCs were outstanding, 81.40 per cent pertain to four

¹ UCs for GIA disbursed during 2019-20 become due only during 2020-21.

departments i.e. Rural Development Department: ₹ 5,647.13 crore (31.41 per cent), Urban Development Department: ₹ 4,718.98 crore (26.25 per cent), Health Department/Medical: ₹ 1,403.31 crore (7.81 per cent) and General Education Department: ₹ 2,864.11 crore (15.93 per cent) as depicted in **Appendix 4.2**.

During the exit conference (November 2023), the Additional Chief Secretary (ACS) Finance Department assured that necessary directions to all the Departments concerned will be issued to submit all pending UCs at the earliest.

4.6 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.

Year-wise break-up of un-adjusted AC bills, pending adjustment, as on 31 March 2023 are given in **Table 4.4**.

Table 4.4: Year-wise break-up of un-adjusted AC Bills as on 31 March 2023

| Year | Number of un-adjusted AC Bills | Amount (₹ in crore) |
|--------------|--------------------------------|---------------------|
| 2015-16 | 1 | 0.01 |
| 2016-17 | 0 | 0.00 |
| 2017-18 | 1 | 1.21 |
| 2018-19 | 18 | 1.31 |
| 2019-20 | 53 | 6.22 |
| 2020-21 | 80 | 5.48 |
| 2021-22 | 70 | 11.12 |
| 2022-23 | 492 | 280.39 |
| Total | 715 | 305.73 |

Source: Information received from office of the PAG (A&E), Haryana

93.98 per cent of amount of un-adjusted AC Bills as on 31 March 2023 pertains to four departments viz. Food and Civil Supplies Department (64.09 per cent-three bills of ₹ 195.94 crore), Tourism Department (17.50 per cent-seven bills of ₹ 53.49 crore), General Education Department (9.29 per cent-374 bills of ₹ 28.41 crore) and Transport Department (3.07 per cent-107 bills of ₹ 9.37 crore).

4.7 Personal Deposit Accounts

Under Paras 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 relevant 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 during the year 2022-23 were Nil. 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 that remained open as on 31 March 2023, as per broadsheet of PD accounts, is given in **Table 4.5**.

Table 4.5: Status of PD accounts as on 31 March 2023

| 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 | 1,033.75 | -- | -- | 2 | 1,033.75 | -- | -- |
| Other than Consolidated Fund | 157 | 2,686.11 | 2 | 2,283.71 | 6 | 1,243.16 | 153 | 3,726.66 |
| Total | 159 | 3,719.86 | 2 | 2,283.71 | 8 | 2,276.91 | 153 | 3,726.66 |

Source: Information received from office of the PAG (A&E), Haryana

Out of 153 PD accounts as on 31 March 2023, 11 accounts containing ₹ 54.02 crore were inoperative for more than three years and had not been closed by the State Government in deviation of the above Rules.

4.8 Indiscriminate use of Minor Head-800

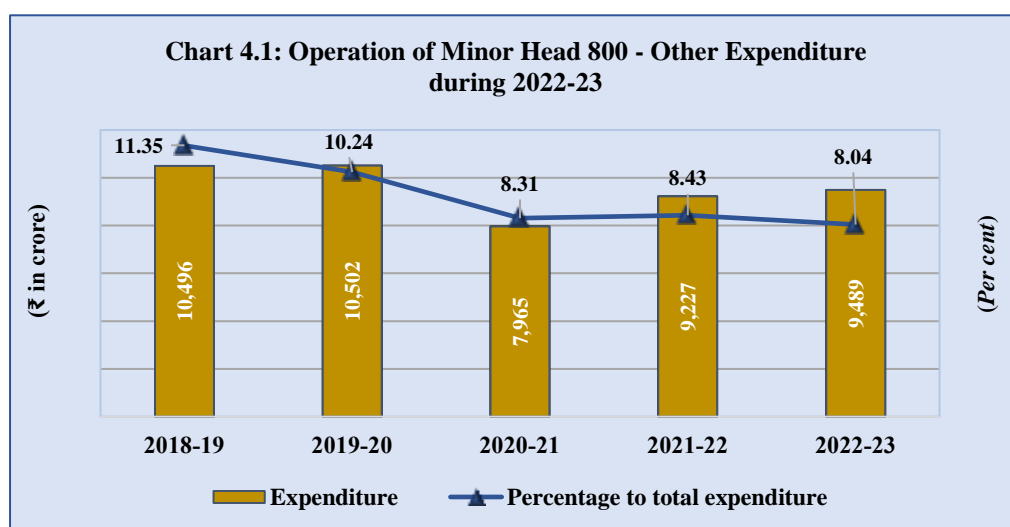
Minor Head 800-Other Receipts/Other Expenditure is intended to be operated only when the appropriate minor head has not been provided in the accounts. Routine operation of Minor Head-800 is to be discouraged since it renders the accounts opaque. During the year 2022-23, an expenditure of ₹ 9,488.99 crore under various Revenue and Capital Major Heads, constituting about 8.04 *per cent* of total expenditure of ₹ 1,18,071.16 crore and receipts of ₹ 3,811.78 crore constituting 4.27 *per cent* of total receipts of ₹ 89,268.60 crore was booked under Minor Head 800-Other Expenditure/Receipts, in the Accounts. Cases where substantial proportion (more than 50 *per cent*) of the expenditure was classified under Minor Head 800-Other Expenditure are given in **Table 4.6**.

Table 4.6: Major Head-wise details 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 ² | Miscellaneous General Services | 0.69 | 0.46 | 66.67 |
| 2. | 2250 ³ | Other Social Services | 4.83 | 3.92 | 81.16 |
| 3. | 2700 ⁴ | Major Irrigation | 1,518.46 | 1,104.56 | 72.74 |
| 4. | 2701 ⁴ | Medium Irrigation | 216.37 | 181.67 | 83.96 |
| 5. | 2801 ⁵ | Power | 6,764.86 | 6,280.07 | 92.83 |
| Total | | | 8,505.21 | 7,570.68 | 89.01 |

Operation of Minor Head 800-Other Expenditure is shown in **Chart 4.1** during 2018-23.



There was a decreasing trend of expenditure under Minor Head 800 during the period 2018-19 to 2020-21, from 11.35 *per cent* in 2018-19 to 8.31 *per cent* in 2020-21. However, during 2021-22, it slightly increased to 8.43 *per cent* and further decreased to 8.04 *per cent* in 2022-23.

During the exit conference (November 2023), Finance Department ensured that corrective action would be taken from 2023-24 accounts.

Issues related to measurement

4.9 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 by aggregating the outstanding debit and credit balances separately under various

² Major Head 2075 pertains to Mukhya Mantri Parivar Samridhi Yojana (MMPSY)

³ Major Head 2250 pertains to Other Social Services, Miscellaneous Trade Fairs

⁴ Major Head 2700 & 2701 pertains to Interest on Capital, Energy Charges

⁵ Major Head 2801 pertains to Assistance for Rural Electrification to Haryana Vidyut Prasaran Nigam Limited/Haryana Power Generation Corporation Limited

heads. Significant suspense items have been shown as gross debit and credit balances for the last three years, in **Table 4.7**.

Table 4.7: Details of Outstanding Suspense and Remittances Balances

(₹ in crore)

| (a) 8658- Suspense Accounts | | | | | | |
|--|--------------------|----------|--------------------|-----------|--------------------|-----------|
| Minor Head | 2020-21 | | 2021-22 | | 2022-23 | |
| | Dr. | Cr. | Dr. | Cr. | Dr. | Cr. |
| 101- Pay and Accounts Office Suspense | 30.76 | 0.01 | -- | 1.05 | -- | (-) 2.31 |
| Net | 30.75(Dr.) | | 1.05(Cr.) | | 2.31(Dr.) | |
| 102- Suspense Accounts (Civil) | 15.79 | - | - | (-) 0.08 | -- | 0.18 |
| Net | 15.79 (Dr.) | | 0.08(Dr.) | | 0.18(Cr.) | |
| 107- Cash Settlement Suspense Account | 42.08 | - | 36.09 | 18.14 | 15.64 | 10.20 |
| Net | 42.08(Dr.) | | 17.95(Dr.) | | 5.44(Dr.) | |
| 109- Reserve Bank Suspense (Headquarters) | (-) 9.86 | (-) 1.14 | (-) 0.39 | 5.55 | 0.35 | (-) 27.33 |
| Net | 8.72(Cr.) | | 5.94(Cr.) | | 27.68(Dr.) | |
| 110- Reserve Bank Suspense-Central Accounts Office | 19.95 | 20.30 | (-) 20.30 | (-) 15.96 | -- | 8.03 |
| Net | 0.35(Cr.) | | 4.34(Cr.) | | 8.03(Cr.) | |
| 112- Tax Deducted at Source Suspense | - | 55.32 | 1,347.84 | 1,088.91 | 1,729.38 | 1,572.53 |
| Net | 55.32 (Cr.) | | 258.93(Dr.) | | 156.85(Dr.) | |
| (b) 8782-Cash Remittances and adjustments between officers rendering accounts to the same Accounts Office | | | | | | |
| Minor Head | 2020-21 | | 2021-22 | | 2022-23 | |
| | Dr. | Cr. | Dr. | Cr. | Dr. | Cr. |
| 102- Public Works Remittances | 31.05 | 357.09 | 10,790.00 | 10,786.50 | 10,116.57 | 10,081.48 |
| Net | 326.04(Cr.) | | 4 (Dr.) | | 35.09(Dr.) | |
| 103- Forest Remittances | - | 4.11 | 202.28 | 202.71 | 334.72 | 332.74 |
| Net | 4.11(Cr.) | | 0.43 (Cr.) | | 1.98(Dr.) | |

Source: Finance Accounts

4.10 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 reconciliation of both receipts and expenditure figures under the Consolidated Fund has been completed cent *per cent* in 2022-23.

4.11 Reconciliation of Cash Balances

The Cash Balance of the State Government up to 2022-23 as per Accounts of the Accountant General (Accounts and Entitlements) was ₹ 716.63 crore (credit) while the same was reported as ₹ 17.53 crore (credit) by the Reserve Bank of India. As such, there was an unreconciled difference of ₹ 734.16 crore (credit) up to the year 2022-23. This was mainly due to incorrect reporting of transactions by Agency Banks to the Reserve Bank of India.

4.11.1 Parking of Government funds in bank accounts

Rule 2.10 (b) 5 of Punjab Financial Rules Volume-1 provides that the authorities incurring expenditure should see that no money is withdrawn from the treasury unless it is required for immediate disbursement or has already been paid out of the permanent advance. It is not permissible to draw advances from the treasury

for the execution of works, the completion of which is likely to take a considerable time. The Finance Department also issued specific instructions (February 2009) that parking of funds drawn on the strength of budgetary allocation out of the Consolidated Fund is not allowed and amounts to grave financial irregularity. It emphasised that the budgetary allocations made for the current financial year are not allowed to be drawn out of the Consolidated Fund and retained beyond the closure of the financial year in any manner and without any justification/merit/assumption supporting it and amounts to grave irregularity.

Further, as per Paragraph 8 of Revised Haryana State Policy (March 2018) for dealing with banks, no organisation should withdraw funds to keep them idle in any bank account without the specific approval of the Finance Department.

During the scrutiny of vouchers for the month of March 2023, it was noticed that an amount of ₹ 8.29 crore was drawn by Sub Divisional Officer, Revenue Department, Bahadurgarh (vide voucher no. 1 of Jhajjar treasury) for the month of February 2023 for making payment of compensation of Rabi Crops 2022 damaged due to heavy rainwater logging. However, it was observed that the said amount was not disbursed to the beneficiaries but was deposited into the bank account of SDO Bahadurgarh to avoid lapse of budget. As per the sanction order, the reason for non-disbursal of amount was requirement of more time to generate unique code for payee (UCP) for beneficiaries.

Thus, without completing the work of generation of UCPs of beneficiaries, the full amount was drawn from the treasury to avoid lapse of budget and deposited in the bank account of SDO Bahadurgarh which was a grave violation of financial rules, instructions and policy in *ibid*.

The Department, while confirming (February 2024) the audit observation, stated that the compensation amount was pertaining to a large number of beneficiaries and generation of UCP within the financial year 2022-23 was not possible. In view of these circumstances, funds were deposited into the bank account of SDO Bahadurgarh. Further, out of ₹ 8.29 crore, ₹ 2.66 crore was disbursed to the beneficiaries. The fact remains that ₹ 5.63 crore is still lying undisbursed even after one year of drawing of funds.

Issues related to disclosure

4.12 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 2022-23 and deficiencies therein are detailed in **Table 4.8**.

Table 4.8: 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. However, no information regarding automatic debit mechanism and structured payment arrangements has been provided. |
| 2 | IGAS 2: Accounting and Classification of Grants-in-Aid | Complied (Statement 10 of Finance Accounts) | (i) Grants-in-Aid of ₹ 3,780.18 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) | Closing balances depicted in Statements 7 and 18 of the Finance Accounts as on 31 March 2023 were yet to be reconciled by the State Government. Detailed information of repayment in arrears of loanee entities has not been provided. |

Source: Indian Government Accounting Standards and Finance Accounts.

4.13 Issues related to Compilation of Accounts

4.13.1 Reconciliation of Loans and Advances

Details received in respect of Loans and Advances by the Government of Haryana to different entities was not maintained by the Government of Haryana. Neither was any reconciliation in respect of these loans and advances carried out nor was the same possible in the absence of details such as individual loanee entity, repayment and interest. Absence of details carries the risk of non-recovery as well as impacting treatment in books of accounts. Recovery of Loans and Advances in 2022-23 was ₹ 237.74 crore. The balance of loans and advances as on 31 March 2023 stood at ₹ 10,574.38 crore.

4.14 Delay 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 42 bodies in the State has been entrusted to the CAG. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Reports (SARs) and their placement in the Legislature is indicated in **Appendix 4.3**.

Out of 42 autonomous bodies, accounts of 11 autonomous bodies pertaining to the financial year 2019-20 or earlier years were not submitted to Audit as of June 2023. 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.

From the scrutiny of information related to financial assistance given by the State Government and annual accounts received from these institutions, it came to notice that 277 annual accounts of 94 autonomous bodies/authorities were awaited in Audit as on 31 July 2023. The details of these accounts are given in *Appendix 4.4* and their age-wise pendency is presented in *Table 4.9*.

Table 4.9: 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 | 94 | 446.40 |
| 2. | 1-2 | 93 | 408.54 |
| 3. | 3 and above | 90 | 442.58 |
| | Total | 277 | 1297.52 |

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 attracted the provisions 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 activities

The 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 Audit/State Legislature. Consequently, corrective measures, if any required, for ensuring accountability and improving efficiency cannot be taken in time. Besides, the delay tends itself to the risk of fraud and leakage of public money.

As of January 2024, three⁶ such departments had not prepared their accounts for the period ranging between 2009-10 and 2021-22. Government funds amounting to ₹ 10,726.81 crore⁷ stood invested in these departments. 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.

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 2022-23, no accounts were excluded from the monthly Civil Accounts by the Principal Accountant General (Accounts and Entitlements), Haryana on account of delays by the account rendering units.

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).

The State Government reported 52 cases of misappropriation and defalcation involving Government money amounting to ₹ 69.95 lakh on which final action was pending as of September 2023. The department-wise break up of pending cases is given in *Table 4.10*.

⁶ (i) National Text Book scheme since 2009-10 in Printing and Stationery Department; (ii) Grain Supply Scheme since 2018-19 in Food and Supplies Department and (iii) Haryana Roadways since 2020-21 in Transport Department.

⁷ (i) National Text Book scheme: ₹ 17.97 crore; (ii) Grain Supply Scheme: ₹ 9,098.50 crore and (iii) Haryana Roadways: ₹ 1,610.34 crore.

Table 4.10: Pending cases 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 | 1 | 6.50 | 0 | 0 | 1 | 6.50 | 0 | 0 |
| 2 | Education | 20 | 40.12 | 1 | 0.09 | 18 | 40.03 | 1 | 0 |
| 3 | Labour and Employment | 2 | 0.28 | 0 | 0 | 2 | 0.28 | 0 | 0 |
| 4 | Social Justice and Empowerment | 3 | 8.63 | 0 | 0 | 2 | 5.93 | 1 | 2.70 |
| 5 | Women and Child Development | 4 | 10.52 | 2 | 10.52 | 2 | 0 | 0 | 0 |
| 6 | Irrigation | 19 | 2.07 | 0 | 0 | 17 | 1.85 | 2 | 0.22 |
| 7 | Public Health | 2 | 0.65 | 0 | 0 | 2 | 0.65 | 0 | 0 |
| 8 | Haryana Skill Development & Industries Training | 1 | 1.18 | 0 | 0 | 1 | 1.18 | 0 | 0 |
| | Total | 52 | 69.95 | 3 | 10.61 | 45 | 56.42 | 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 4.11**.

Table 4.11: 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 | 13 | 23.77 | Theft cases | 48 | 59.21 |
| 6-10 | 15 | 36.41 | | | |
| 11-15 | 1 | 0 | Misappropriation/loss of Government material | 4 | 10.74 |
| 16-20 | 8 | 8.71 | | | |
| 21-25 | 3 | 0.24 | | | |
| 26 and above | 12 | 0.82 | | | |
| Total | 52 | 69.95 | Total pending cases as of September 2023 | 52 | 69.95 |

Out of 52 cases of losses due to theft/misappropriation, 39 cases of ₹ 46.18 lakh were more than five years old, including 15 cases which were more than 20 years old.

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* action on all paragraphs and reviews featuring in the Comptroller and Auditor General of India's Audit Reports. The Administrative Departments were also required to furnish Action Taken Notes to the Legislative Committees 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.

State Finances Audit Report for the year 2021-22 was laid before State Legislature on 22 March 2023 and State Finances Audit Reports for the years 2020-21 and 2021-22 is under discussion on selective basis in Public Accounts Committee (September 2023).

4.20 Conclusion

There were substantial delays in submission of utilisation certificates, which indicates lack of internal control in administrative departments and is an indicative 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 attracted the provision of Section 14 of the CAG's (DPC) Act, 1971. 8.04 *per cent* of total expenditure was classified under Omnibus Minor Head '800-Other Expenditure' during 2022-23.

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.

4.21 Recommendations

1. The Government should ensure timely submission of utilisation certificates by the departments in respect of the grants released for specific purposes.
2. 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.
3. 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.

4. 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.
5. 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.