

Chapter 1

Introduction

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1.1 About the Report

There are 53 Departments, 37 Public Sector Undertakings and 38 Autonomous Bodies functioning under the Government of Haryana as detailed in *Appendix 1.1*. This Report covers matters arising out of the compliance audit of the Departments, Public Sector Undertakings and Autonomous Bodies of the State. Compliance audit refers to examination of the expenditure and revenue of the audited entities to ascertain whether the provisions of the applicable laws, rules and regulations made there under and various orders and instructions issued by the competent authorities are being complied with.

The primary purpose of this report is to bring important results of audit to the notice of the State Legislature. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the executive to take corrective actions and also to frame policies and directives that will lead to improved operational efficiency and financial management of the organisations, thus contributing to better governance.

This chapter explains the authority for audit, planning and extent of audit and responsiveness of Government to audit. Chapters 2, 3 and 4 contain Performance Audits, Chapter 5 contain observations of the Subject Specific Compliance Audit, Chapter 6 contains observations emanating from compliance audit of Government Departments and Chapter 7 contains observations emanating from compliance audit of State Public Sector Undertakings.

1.2 Budget profile

The position of budget estimates and actual expenditure by the State Government during 2017-22 is given in *Table 1.1*.

Table 1.1: Budget and actual expenditure of the State during 2017-22**(₹ in crore)**

Expenditure	2017-18		2018-19		2019-20		2020-21		2021-22	
	Budget Estimates	Actual	Budget Estimates	Actual	Budget Estimates	Actual	Budget Estimates	Actual	Budget Estimates	Actual
(1) Revenue Expenditure										
General Services	24,379	26,699	29,788	28,169	35,358	31,884	37,228	34,734	39,680	37,948
Social Services	31,404	28,061	34,176	29,743	36,114	33,726	43,090	36,164	43,293	40,928
Economic Services	23,752	18,107	20,916	19,022	22,770	19,238	25,020	19,048	33,954	19,549
Grants-in-aid and Contributions	401	390	306	222	0	0	0	0	0	0
Total (1)	79,936	73,257	85,186	77,156	94,242	84,848	105,338	89,946	1,16,927	98,425
Capital Expenditure	11,122	13,538	15,780	15,306	16,260	17,666	13,201	5,870	9,318	11,046
Loans and Advances Disbursed	1,326	1,395	1,766	756	1,407	1,309	1,213	926	1,239	966
Repayment of Public Debt	9,945	6,339	12,466	17,184	20,257	15,776	22,592	29,498	28,161	25,473
Contingency Fund	-	27	-	13	-	-	-	-	-	-
Appropriation to Contingency Fund	-	-	-	-	-	-	-	800	-	-
Public Accounts disbursements	2,04,107	31,171	2,32,569	37,386	1,41,707	42,171	51,356	50,245	59,394	51,728
Closing Cash balance	-	4,417	-	2,985	-	3,999	-	3,148	-	4,946
Total (2)	2,26,500	56,887	2,62,581	73,630	1,79,631	80,921	88,362	90,487	98,112	94,159
Grand Total (1+2)	3,06,436	1,30,144	3,47,767	1,50,786	2,73,873	1,65,769	1,93,700	1,80,433	2,15,039	1,92,584

Source: Annual Financial Statements and Explanatory Memorandum of the Budget of the State Government.

1.3 Application of resources of the State Government

As against the total budget outlay of ₹ 2,15,039 crore, the application of resources was ₹ 1,92,584 crore during 2021-22. The total expenditure¹ of the State increased by 25 *per cent* from ₹ 88,190 crore² to ₹ 1,10,437 crore³ during the period 2017-18 to 2021-22 while revenue expenditure increased by 34 *per cent* from ₹ 73,257 crore to ₹ 98,425 crore and capital expenditure decreased by 18 *per cent* from ₹ 13,538 crore to ₹ 11,046 crore during the same period. Revenue expenditure constituted 82 to 93 *per cent* of the total expenditure while capital expenditure was six to 17 *per cent* during the period from 2017-18 to 2021-22.

¹ Total of Revenue Expenditure, Capital Expenditure and Loans and Advances Disbursed.

² ₹ 88,190 crore = Revenue Expenditure: ₹ 73,257 crore + Capital Expenditure: ₹ 13,538 crore + Loans and Advances: ₹ 1,395 crore.

³ ₹ 1,10,437 crore = Revenue Expenditure: ₹ 98,425 crore + Capital Expenditure: ₹ 11,046 crore + Loans and Advances: ₹ 966 crore.

1.4 Planning and conduct of audit

The audit process commences with risk assessment of various departments, autonomous bodies and schemes/projects which involves assessing the criticality/complexity of activities, the level of delegated financial powers, internal controls and concerns of stakeholders and previous audit findings. Based on the risk assessment, the frequency and extent of audit are decided, and an Annual Audit Plan is formulated.

After completion of audit, an Inspection Report containing audit findings is issued to the head of the office with a request to furnish replies within four weeks. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Important audit observations pointed out in these Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India which are to be submitted to the Governor of Haryana under Article 151 of the Constitution of India.

During 2021-22, compliance audit of 950 departmental auditee units of 53 departments under Section 13, 23 auditee units of 37 PSUs under Section 19(1), Section 19(2) and 35 auditee units of 38 autonomous bodies under Sections 14, 19(2), 19(3) and 20(1) of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, was conducted by the office of the Principal Accountant General (Audit), Haryana as a field formation of the Comptroller and Auditor General of India.

1.5 Significant audit observations and response of Government to audit

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities as well as on the quality of internal controls in selected departments/Public Sector Undertakings (PSUs) which adversely affect the success of programmes and functioning of the departments/PSUs. The focus was on offering suitable recommendations to the executive/management for taking corrective action and improving service delivery to the citizens. The Departments/PSUs are required to send their responses to draft paragraphs proposed for inclusion in the Comptroller and Auditor General of India's Audit Reports within six weeks.

This Audit Report contains three Performance Audits and 12 compliance audit paragraphs⁴ which were forwarded to the concerned Administrative Secretaries. Replies received in respect of three compliance audit paragraphs⁵ as well as replies given during exit conferences in respect three Performance Audits have been suitably incorporated in the Audit Report.

⁴ Including one Subject Specific Compliance Audit.

⁵ One SSCA (Chapter 5), Paragraphs 6.5 and 7.3.

1.6 Government response to Inspection Reports

After periodical inspection of the Government departments/PSUs, the Principal Accountant General (Audit) issues the Inspection Reports (IRs) to the head of offices audited with copies to the next higher authority/ management. The executive authorities/ managements are expected to promptly rectify the defects and omissions pointed out and report compliances to the Principal Accountant General (Audit) within four weeks. Half yearly reports of Inspection Reports (IRs) pending for more than six months are also sent to the concerned Administrative Secretaries of the departments to facilitate monitoring and compliance of the audit observations in the pending IRs.

As on 31 March 2023, a total of 24,362 audit paragraphs pertaining to 8,480 IRs were outstanding, against various auditee units pertaining to different Departments, Public Sector Undertakings and Autonomous bodies in the State as detailed in **Table 1.2**.

Table 1.2: Year-wise breakup of outstanding Inspection Reports and paragraphs

(₹ in crore)

Year	Number of IRs	Number of paragraphs	Money value
Prior to April 2017	6,189	14,615	1,08,947.42
2017-18	618	1,917	25,818.84
2018-19	633	2,467	30,469.74
2019-20	483	2,154	12,023.46
2020-21	310	1,590	11,084.71
2021-22	247	1,619	35,062.02
Total	8,480	24,362	2,23,406.19

Source: Information derived from IR Registers maintained in PAG (Audit) Office.

Category-wise details of irregularities pointed out through these IRs which had not been settled as of March 2023 are indicated in **Appendix 1.2**.

1.7 Follow-up on Audit Reports

Discussion in Public Accounts Committee (PAC) and Committee on Public Undertakings (COPU)

1.7.1 Compliance to Audit Reports

According to the instructions issued (October 1995) by the Government of Haryana, Finance Department and reiterated in March 1997 and July 2001, the administrative departments were to initiate *suo motu* action on all audit paragraphs featuring in the Comptroller and Auditor General's Audit Reports regardless of whether the cases were taken up for examination by the Public Accounts Committee (PAC)/Committee on Public Undertakings (COPU) or not. The Administrative Departments were required to furnish Action Taken Notes (ATNs) 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.

Details of Audit Reports placed in the State Legislature during 2020-24 and discussion by PAC/COPU is given in **Table 1.3**.

Table 1.3: Status of discussion on Audit Reports Laid in State Legislature during 2020-24

Sr. No.	Name of Compliance/Performance Audit Report	Date of placement of Audit Reports in the State Legislature	Committee in which Compliance/PA Report are to be discussed	Status of discussion as of March 2024
1.	Compliance Audit Report on PSUs (Social, General and Economic Sectors) – 2019 (Report No. 2 of 2020)	5 March 2021	COPU	Discussed during 2022-23 & 2023-24
2.	Compliance Audit Report- Non-PSU (Social, General and Economic Sectors) – 2019 (Report No. 3 of 2020)	16 March 2021	PAC	Discussed during 2021-22
3.	Compliance Audit Report on Social, General and Economic Sectors – 2020 (Report No. 4 of 2021)	22 December 2021	PAC/COPU	Discussed during 2022-23 & 2023-24
4.	Performance Audit on Direct Benefit Transfer (Report No. 2 of 2022)	8 August 2022	PAC	Discussed during 2023-24
5.	Performance Audit of Functioning of Transport Department (Report No. 4 of 2022)	8 August 2022	PAC	Discussed during 2023-24
6.	Performance Audit on Functioning of Haryana Power Generation Corporation Limited (Report No. 6 of 2022)	10 August 2022	COPU	Under Discussion
7.	Compliance Audit of Energy & Power, Industries & Commerce and Urban Development clusters for the year ended 31 March 2021 (Report No. 7 of 2022)	10 August 2022	PAC ⁶ and COPU ⁷	Discussed during 2023-24
8.	Compliance Audit Report-2 for the year ended 31 March 2021 (Report No. 1 of 2023)	22 March 2023	PAC and COPU ⁸	Discussed during 2023-24
9.	Performance Audit on Rural and Urban Water Supply Schemes (Report No. 3 of 2023)	25 August 2023	PAC	Discussed during 2024-25

As of March 2024, Report of the C&AG on Performance Audit of Functioning of Haryana Power Generation Corporation Limited (Report No. 6 of 2022) was under discussion with COPU for which ATNs was received in October 2023.

1.7.2 Action awaited for recovery pointed out in Audit reports

Action taken for recovery of ₹ 1,961.17 crore pointed out through 33 audit paragraphs which appeared in Audit Report for the years 2000-01 to 2019-20 was awaited as of March 2024. The details of outstanding recoveries pointed out by Audit is given in **Appendix 1.3**. PAC has also recommended the departments concerned to recover this amount.

⁶ Three paragraphs of the Compliance Audit Report (4.1, 4.2 and 4.3).

⁷ Six paragraphs of the Compliance Audit Report (2.1 to 2.3 and 3.1 to 3.3).

⁸ One paragraph of the Compliance Audit Report (5.17).

1.7.3 Compliance to Reports of COPU and PAC

Final action on 631 recommendations contained in 16th to 89th Reports of PAC for the years 1979-80 to 2023-24 and 259 recommendations contained in 16th to 70th Reports of COPU for the years 1983-84 to 2023-24 was awaited as per details given in *Appendix 1.4*. Department/PSUs-wise details of the pending recommendations of the Public Accounts Committee and Committee on Public Sector Undertakings is given in *Appendix 1.5*.