

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 compliances is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities including strategic planning and decision making. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

3.1 Delay in furnishing Utilisation Certificates

Rule 8.14 of the Punjab Financial Rules, as applicable to Haryana, provides that utilisation certificates (UCs) for the grants provided for specific purposes, should be obtained by departmental officers from the grantees. After verification, these should be forwarded to the Principal Accountant General within a reasonable time, unless a specific time limit is fixed by the sanctioning authority. However, of the 14,394 UCs due for submission in respect of grants and loans aggregating ₹ 9,984.50 crore, 3,743 UCs for an aggregate amount of ₹ 4,705.32 crore were in arrears. The department-wise break-up of UCs due, received and outstanding as on 31 March 2011 is given in *Appendix 3.1*. The age-wise delays in submission of UCs is summarised in **Table 3.1**.

Table 3.1: Age-wise arrears of Utilisation Certificates

(₹ in crore)

Sr. No.	Range of delay in number of years	Total grants paid		Utilisation Certificates outstanding	
		Number	Amount	Number	Amount
1	0 – 3	1,331	1,946.68	1,150	1,552.32
2	1 – 3	2,130	3,359.67	1,304	2,325.10
3	3 – 5	2,102	1,475.89	371	490.30
4	5 – 7	2,296	577.20	166	266.93
5	7 – 9	3,682	1,320.71	586	50.64
6	9 & above	2,853	1,304.35	166	20.03
Total		14,394	9,984.50	3,743	4,705.32

Table 3.1 shows that out of 3,743 outstanding UCs, 1,289 UCs (34 per cent) were more than three years old. Analysis of *Appendix 3.1* shows that outstanding UCs from Urban

Development, Rural Development, Development and Panchayat, Education, Sports and Social Justice and Empowerment departments constituted 92 *per cent* of the total outstanding UCs, involving 85 *per cent* of grants released. Despite this being pointed out in the Comptroller and Auditor General of India's Report-Civil, Government of Haryana for the year ended 31 March 2010, only 409 UCs (14 *per cent*) against the total outstanding of 3,002 UCs, pertaining to earlier years were furnished by the departments during 2010-11. This not only indicates lack of internal control of administrative departments but also shows the tendency on the part of the Government to go on disbursing fresh grants without ascertaining proper utilisation of earlier grants.

3.2 Non-submission/delay in submission of Accounts

In order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971 (CAG's 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. On the basis of information received, 160 bodies/ authorities attracted audit under Section 14 of the Act *ibid*. Audit of 66 bodies/ authorities was conducted during 2010-11.

Annual accounts numbering 412 pertaining to 190 autonomous bodies/ authorities due up to 2010-11 had not been received in the office of the Principal Accountant General (Audit) as of July 2011. The details of these accounts are given in *Appendix 3.2* and their age-wise pendency is presented in **Table 3.2**.

Table 3.2: 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	169	499.06
2.	1-3	126	566.48
3.	3-5	42	116.92
4.	5-7	28	34.85
5.	7-9	20	32.03
6.	9 and above	27	59.63
	Total	412	1,308.97

Table 3.2 shows that 75 annual accounts (18 *per cent*) involving grants of ₹ 126.51 crore were in arrears for more than five years. Scrutiny revealed that 299 annual accounts¹ (73 *per cent*) pertaining to 79 Municipal Committees to whom grants

¹ Sr. No. 1 to 79 of Appendix 3.2.

amounting to ₹ 939.28 crore were released between 1982-83 and 2010-11 were not received. 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 Act 1971 or not.

3.3 Delays in submission of Accounts of Autonomous Bodies for Certification

Several autonomous bodies have been set up by the Government in the field of Urban Development, Housing, Labour Welfare, Agriculture, etc. The audit of accounts of 29 bodies in the State has been entrusted to the CAG. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Reports (SARs) and its placement in the Legislature is indicated in *Appendix 3.3*. The frequency distribution of autonomous bodies according to the delays in submission of accounts to audit and placement of SARs in the Legislature is summarised in **Table 3.3**.

Table 3.3: Delays in submission of Accounts and tabling of Separate Audit Reports

Delays in submission of accounts (in months)	Number of autonomous bodies	Reasons for delay	Delays in submission of SARs in Legislature (in years)	Number of autonomous bodies	Reasons for delay
0 - 1	-	Accounts had not been prepared	0 - 1	3	Not intimated by departments.
1 - 6	2		1 - 2	2	
6 - 12	-		2 - 3	-	
12 - 18	3		3 - 4	2	
18 - 24	-		4 - 5	3	
24 and above	20		5 and above	-	
Total	25			10	

It was further observed that out of 20, 11² autonomous bodies had not submitted their annual accounts for the last 14 years (1996-97 onwards).

3.4 Departmental 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 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.

2 District Legal Services Authority: Bhiwani, Faridabad, Fatehabad, Gurgaon, Jhajjar, Panchkula, Panipat, Rewari, Rohtak, Sonapat and Yamunanagar.

Heads of departments in the Government have to ensure that the undertakings prepare such accounts and submit the same to the Principal Accountant General for audit within a specified timeframe. As of June 2011, out of five such undertakings, four had not prepared accounts even up to 2007-08. Government funds amounting to ₹ 3,223.28 crore stood invested in these undertakings at the end of the financial year up to which their accounts had been completed. The proforma accounts of Haryana Roadways having Government investment of ₹ 402.67 crore as on 31 March 2006 were in arrears from 2006-07. The CAG had repeatedly commented about the arrears in preparation of accounts in the State Reports-Civil but there was no significant improvement in this regard. The department-wise position of arrears in preparation of proforma accounts and investments made by the Government are given in *Appendix 3.4*.

3.5 Misappropriations, losses, defalcations, etc.

Rule 2.33 of the Punjab Financial Rules, as applicable to Haryana, stipulates that every Government employee should realise that he 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*, cases of defalcations and losses are required to be reported to the Principal Accountant General.

The State Government reported 153 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹ 1.58 crore on which final action was pending as of June 2011. The department-wise break up of pending cases and age-wise analysis is given in *Appendix 3.5* and the nature of these cases is given in *Appendix 3.6*. The age-profile of the pending cases and the number of cases pending in each category - theft and misappropriation/loss is summarised in **Table 3.4**.

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

Age-profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved (₹ in lakh)	Nature/characteristics of the cases	Number of cases	Amount involved (₹ in lakh)
0 - 5	29	29.58	Theft	131	86.49
5 - 10	49	77.99			
10 - 15	24	24.67	Misappropriation/ loss of material	82	98.81
15 - 20	16	6.95			
20 - 25	20	15.70			
25 and above	15	3.25	Cases of losses written off during the year	60	27.16
Total	153	158.14			

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

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

Reasons for the delay/outstanding pending cases		Number of cases	Amount (₹ in lakh)
i)	Awaiting departmental and criminal investigation	2	8.05
i)	Departmental action initiated but not finalised	76	56.11
iii)	Criminal proceedings finalised but recovery of amount pending	14	8.85
iv)	Awaiting orders for recovery or write off	46	46.49
v)	Pending in the courts of law	15	38.64
Total		153	158.14

Out of the total loss cases, 65 *per cent* cases related to theft of Government money and stores which indicates that appropriate steps for the safety of Government property/cash, etc., as prescribed in the rules, had not been taken by the concerned departments. Further, in respect of 50 *per cent* cases of losses, departmental action had not been finalised and 30 *per cent* cases were outstanding simply for want of orders of the competent authority for recovery or write-off of losses. It was further noticed that out of 153 cases of losses due to theft/misappropriation etc., 124 cases were more than five years old, of which, 15 cases were more than 25 years old. The lackadaisical approach of the departments in finalisation of these cases had not only caused losses to the State exchequer but also failure to take timely action against the officers/officials at fault.

3.6 Operation of omnibus Minor Head - 800

Booking of Minor Head '800 – Other Receipts' and '800- Other Expenditure' is opaque as these heads do not disclose the schemes, programmes, etc., to which the amount relate. It accommodates expenditure which cannot be classified under the available programme minor heads.

During 2010-11, expenditure aggregating ₹ 3,745.86 crore (11 *per cent* of the total expenditure) was classified under Major Head – 800 against five Major Heads in the Revenue section. Total/major expenditure on power subsidy, urban development, major and medium irrigation and Council of Ministers was classified under the omnibus Minor Head–800, instead of depicting the same distinctly in the Finance Accounts.

Similarly, revenue receipts aggregating ₹ 2,944.17 crore (12 *per cent* of the total revenue receipts) were classified under the omnibus Minor head '800-Other Receipts' under 17 major heads. Major amounts of non-tax revenue under urban development, major irrigation, forest and wildlife, police and land revenue, etc. was classified under this minor head.

Classification of large amounts under the omnibus Minor head '800-Other Expenditure/Receipts' affected the transparency in financial reporting.

3.7 Transfer of funds to Personal Deposit Account

Transfer to Personal Deposit Accounts is booked as expenditure in the Consolidated Fund (service major heads) of the State. While Government is authorised to open Personal Deposit Accounts (PDA) in order to deposit money for specific purposes, the Administrators are required to close such accounts on the last working day of the year and transfer the unspent balances back to the Government Accounts. The number of PDAs at the beginning of the year was 271 with a balance of ₹ 211.61 crore. During 2010-11, an amount of ₹ 243.26 crore was credited to PDA and ₹ 266.26 crore was debited to these accounts. There were 259 PDAs existing at the close of the year with a balance of ₹ 188.61 crore. These accounts had not been reconciled (October 2011) with the Principal Accountant General.

3.8 Non-deposit of non-tax revenue in Government Accounts

The Haryana Forest Development Corporation Ltd, Gurgaon (Government Company) had not deposited ₹ 2.54 crore on account of royalty for the period 2008-11 in the Government accounts in violation of Rule 2.4 of Punjab Financial Rules as adopted by Haryana. This resulted in understatement of revenue receipts in the Finance Accounts.

3.9 Conclusion

Internal financial reporting is one of the attributes of good governance but it was not totally effective as there was non-compliance of financial rules, procedures and directives on several aspects. There were substantial delays in submission of utilisation certificates due to which proper utilisation of grants could not be ensured. Non-submission/delays in submission of accounts by grantee institutions resulted in non-identification of institutions for conducting of audit by CAG. A large number of autonomous bodies, the audit of which was entrusted to the CAG and departmentally run commercial undertakings had not prepared their final accounts for long periods. As a result, their financial position was not known to the Government. Further, there were a number of cases of theft of Government money, misappropriation, loss of Government material, defalcation, etc. for which departmental action was pending for long periods. Substantial amounts of receipts and expenditure were classified under the omnibus minor head '800-Other Receipts/Expenditure' during 2010-11.

3.10 Recommendations

- The internal control mechanisms of the Government departments need to be strengthened to monitor the timely submission of UCs and ensure that subsequent grants are released only after ascertaining the proper utilisation of earlier grants. Timely submission of accounts by autonomous bodies should be ensured. A time-bound framework should be prepared for taking prompt action in cases of theft, misappropriation, etc.
- In order to ensure greater transparency in financial reporting, large amounts received or expended under various schemes should be depicted in the Accounts distinctly, instead of clubbing the same under the Minor head '800-Other Expenditure' and '800-Other Receipts'.



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