

Chapter III

Financial Reporting

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 Punjab Financial Rules, as applicable to Haryana, provides that utilisation certificates (UCs), for the grants provided for specific purposes, should be obtained by the departmental officers from the grantees. After verification, these should be forwarded to the Principal Accountant General (A&E) within a reasonable time, unless a specific time limit is fixed by the sanctioning authority. However, of the 1,699 UCs due for submission in respect of grants and loans aggregating to ₹ 3,474.05 crore, 812 UCs for an aggregate amount of ₹ 1,567.85 crore were in arrears for the grants released during 2008-09 to 2011-12. The Department-wise break-up of UCs due, received and outstanding as on 31 March 2013 is given in *Appendix 3.1*.

Analysis of Appendix 3.1 shows that out of 812 outstanding UCs, 552 UCs (68 per cent) were outstanding from Rural Development department and 226 (28 per cent) were outstanding from Education department. Further 18 UCs for ₹ 43.70 crore were outstanding for the grants released in 2008-09, 32 UCs for ₹ 179.09 crore for the grants released in 2009-10, 134 UCs for ₹ 130.51 crore for grants released in 2010-11 and 628 UCs for ₹ 1,214.49 crore for grants released in 2011-12. This not only indicates lack of internal control of administrative departments but also indicates the tendency on the part of the Government to go on disbursing the fresh grants without satisfying themselves about proper utilisation of grants sanctioned earlier.

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.

A total of 251 annual accounts of 110 autonomous bodies/authorities are awaited as on 31 July 2013. The details of these accounts are given in *Appendix 3.2* and their age-wise pendency is presented in **Table 3.1**.

Table 3.1: 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	273.37
2.	1-3	98	262.73
3.	3-5	29	73.25
4.	5-7	8	7.35
5.	7-9	8	5.46
6.	9 and above	14	30.78
	Total	251	652.14

(Source: Figures obtained from Government Departments and Accountant General (A&E) Haryana)

Table 3.1 shows that 30 annual accounts (12 *per cent*) involving grants of ₹ 43.59 crore were in arrear for more than five years. 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 Act 1971. Out of 97 autonomous bodies/authorities which attract audit under Section 14 of the Act, audit of 25 bodies/authorities was conducted during 2012-13.

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 28 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 3.2**.

Table 3.2: 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	4	Accounts had not been prepared by autonomous bodies.	0 - 1	1	Reasons for delay not intimated by departments.
1 - 6	5		1 - 2	2	
6 - 12	-		2 - 3	6	
12 - 18	7		3 - 4	1	
18 – 24	-		4 - 5	-	
24 and above	12		5 and above	7	
Total	28			17	

It was further observed that 6¹ autonomous bodies had not submitted their annual accounts for the last 16 years (1996-97 and onwards).

3.4 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 2013, four out of five such undertakings had not prepared their accounts from 2009-10 and onwards. Government funds amounting to ₹ 4,302.87 crore stood invested in these undertakings. The proforma accounts of Haryana Roadways with Government investment of ₹ 606.07 crore as on 31 March 2009 were in arrears from 2009-10. Though the arrears in preparation of accounts have been repeatedly commented, no improvement had taken place in

¹ District Legal Services Authority: Gurgaon, Jhajjar, Panchkula, Rewari, Rohtak and Sonapat.

this regard. The department-wise position of arrears in preparation of proforma accounts and investment 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 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 Principal Accountant General (A&E).

State Government reported 144 cases of misappropriation, defalcation, etc. involving Government money amounting to ₹ 1.60 crore on which final action was pending as of June 2013. The department-wise break up of pending cases and age-wise analysis is given in *Appendix 3.5* and 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 as emerged from these appendices is summarised in **Table 3.3**.

Table 3.3: 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	20	34.40	Theft	96	80.93
5 - 10	40	45.20			
10 - 15	33	54.23	Misappropriation/ loss of material	49	79.52
15 - 20	11	6.89			
20 - 25	24	16.64	Total	145	160.45
25 and above	16	3.09	Cases of losses written off during the year	1	00*
Total	144	160.45	Total pending cases	144	160.45

* measurement book theft

Reasons for pendency of cases are listed in **Table 3.4**.

Table 3.4: 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	4	8.05
i)	Departmental action initiated but not finalised	69	53.73
iii)	Criminal proceedings finalised but execution of certificate case for the recovery of amount pending	14	8.85
iv)	Awaiting orders for recovery or write off	41	36.88
v)	Pending in the courts of law	16	52.94
Total		144	160.45

Out of the total loss cases, 66 *per cent* cases related to theft of Government money/store. Further, in respect of 50 *per cent* cases of losses, departmental action had not been finalised and 28 *per cent* cases were outstanding for want of orders of the competent authority for recovery or write off of losses. It was further noticed that out of 144 cases of losses due to theft/misappropriation etc., 124 cases were more than 5 years old including 16 cases which were more than 25 years old. The lackadaisical approach of departments in finalisation of these cases had not only caused loss to the State exchequer but also failed to take timely action against the officers/officials at fault.

3.6 Misclassification in accounts

Operation of omnibus Minor Head - 800

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

During 2012-13, expenditure aggregating ₹ 7,746.18 crore (17.46 *per cent* of total expenditure) was classified under Minor Head – 800 against 12 Major Heads in both revenue and capital sections. Total/considerable expenditure on power subsidy, urban development, major and medium irrigation, tourism and other social services were classified under omnibus Minor Head–800 instead of depicting distinctly in the Finance Accounts.

Similarly, revenue receipts aggregating ₹ 1,415.84 crore (4.21 *per cent* of total revenue receipts) was classified under omnibus minor head '800-Other Receipts' under 14 major heads. Considerable amount of Non-tax revenue under urban development, major irrigation, police, roads and bridges, forest and wildlife, etc. were classified under this minor head.

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

3.7 Conclusions

Substantial delays in submission of utilisation certificates occurred and as a result proper utilisation of grants could not be ensured. In absence of annual accounts, it could not be ascertained whether 110 autonomous bodies/authorities attract the provision of Section 14 of the CAG's Act 1971. A large number of autonomous bodies and departmentally run commercial undertakings did not prepare their final accounts for long periods, as a result their strength of financial position could not be assessed. Further, in cases of theft of Government money, misappropriation, loss of Government material, defalcation, etc., departmental action was pending for long period. 17.46 *per cent* of total expenditure and 4.21 *per cent* of revenue receipts were classified under omnibus minor head '800-Other Expenditure/Receipts' during 2012-13.

3.8 Recommendations

The Government may consider:

- strengthening of internal control mechanism of the Government departments to watch the timely submission of UCs and releasing further grants only after receipt of utilization certificate of earlier grants.
- 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.
- 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.

- preparing a time bound framework for taking prompt action in cases of theft, misappropriation, etc.
- depicting the amounts received and expenditure incurred under various schemes distinctly instead of clubbing the receipt and expenditure of major schemes under the Minor head '800-Other Expenditure' and '800-Other Receipts'.



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