

Chapter-1
Introduction

CHAPTER I

Introduction

1.1 Introduction

There are 53 Departments, 37 Public Sector Undertakings and 37 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 Constitution of India, applicable laws, rules, regulations 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. Chapter 2, 3 and 4 contains observations of the Subject Specific Compliance Audits and Chapter 5 contains observations emanating from compliance audit in Government Departments, Autonomous Bodies and Public Sector Undertakings.

1.2 Budget profile

The position of budget estimates and actual expenditure there against by the State Government during 2016-21 is given in *Table 1.1*.

Table 1.1: Budget and actual expenditure of the State during 2016-21

(₹ in crore)

Expenditure	2016-17		2017-18		2018-19		2019-20		2020-21	
	Budget Estimates	Actual	Budget Estimates	Actual	Budget Estimates	Actual	Budget Estimates	Actual	Budget Estimates	Actual
General Services	21,663	21,631	24,379	26,699	29,788	28,169	35,358	31,884	37,228	34,734
Social Services	29,403	25,473	31,404	28,061	34,176	29,743	36,114	33,726	43,090	36,164
Economic Services	23,482	20,875	23,752	18,107	20,916	19,022	22,770	19,238	25,020	19,048
Grants-in-aid and Contributions	248	424	401	390	306	222	0	0	0	0
Total (1)	74,796	68,403	79,936	73,257	85,186	77,156	94,242	84,848	1,05,338	89,946
Capital Outlay	8,817	6,863	11,122	13,538	15,780	15,306	16,260	17,666	13,201	5,870
Loans and Advances Disbursed	4,729	4,515	1,326	1,395	1,766	756	1,407	1,309	1,213	926
Repayment of Public Debt	9,677	5,276	9,945	6,339	12,466	17,184	20,257	15,776	22,592	29,498
Contingency Fund	-	80	-	27	-	13	-	-	-	-
Appropriation to Contingency Fund	-	-	-	-	-	-	-	-	-	800
Public Accounts disbursements	96,756	29,276	2,04,107	31,171	2,32,569	37,386	1,41,707	42,171	51,356	50,245
Closing Cash balance	-	5,658	-	4,417	-	2,985	-	3,999	-	3,148
Total (2)	1,19,979	51,668	2,26,500	56,887	2,62,581	73,630	1,79,631	80,921	88,362	90,487
Grand Total (1+2)	1,94,775	1,20,071	3,06,436	1,30,144	3,47,767	1,50,786	2,73,873	1,65,769	1,93,700	1,80,433

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 ₹ 1,93,700 crore, the application of resources was ₹ 1,80,433 crore during 2020-21. The total expenditure¹ of the State increased by 21 *per cent* from ₹ 79,781 crore to ₹ 96,742 crore during the period 2016-17 to 2020-21 while the revenue expenditure increased by 31 *per cent* from ₹ 68,403 crore to ₹ 89,946 crore during the same period. The 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 2016-17 to 2020-21.

During the period from 2016-17 to 2020-21, annual growth rate of revenue expenditure of the State decreased from 15.48 *per cent* to 6.01 *per cent* whereas annual growth rate of revenue receipts decreased from 10.39 *per cent* in 2016-17 to 2.99 *per cent* in 2019-20 and becomes negative at (-) 0.44 *per cent* in 2020-21.

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 the 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 2020-21, compliance audit of 235 departmental auditee units of 53 departments under Section 13, 18 auditee units of 25 PSUs under Section 19(1), Section 19(2) and 24 auditee units of 12 autonomous bodies under Sections 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 Comptroller and Auditor General of India.

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

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 have negative impact on 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 20² compliance audit paragraphs which were forwarded to the concerned Administrative Secretaries. Replies from the administrative departments have been received for 17 compliance audit paragraphs which have been suitably incorporated in the Audit Report.

1.6 Responsiveness of Government to Audit

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 Authorities/Managements. 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.

A total of 25,652 paragraphs pertaining to 9,205 IRs were outstanding as of 30 September 2021, against various auditable units pertaining to various Departments, Public Sector Undertakings and Autonomous bodies in the State as detailed in the *Table 1.2*.

² Including three Subject Specific Compliance Audits.

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 2015-16	6,211	14,058	67,484.55
2016-17	649	2,109	45,781.86
2017-18	732	2,345	2,92,281.90
2018-19	728	2,683	5,83,276.69
2019-20	584	2,609	1,22,073.63
2020-21	301	1,848	20,163.54
Total	9,205	25,652	11,31,062.17

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 September 2021 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.

The Audit Report on Social, General and Economic Sectors (Non-PSUs) for the year 2018-19 has been discussed in PAC during the year 2021-22. The Audit Report on Social, General and Economic Sectors (PSUs) for the year 2018-19 containing 15 paragraphs and Compliance Audit Report on Social, General and Economic Sectors for the year 2019-20 containing 19 paragraphs were placed before the State Legislative Assembly on 5 March 2021 and 22 December 2021 respectively (*Appendix 1.3*) and yet to be discussed in Public Accounts Committee (PAC)/Committee on Public Sector Undertakings (COPU) (March 2022). Status of paragraphs of Departments/Public Sector Undertakings (PSUs)/Autonomous Bodies (ABs) is given in *Table 1.3*.

Table 1.3: Detail of Paragraphs/ATNs to be discussed in PAC/COPU of Departments/ PSUs/ABs as on 31 March 2022

Sr. No.	Cluster	PSUs 2018-2019		Compliance Audit Report 2019-20	
		Total PAs/ Paragraph in the Audit Report	Number of PAs/ Paragraph for which ATNs were not received	Total PAs/ Paragraph in the Audit Report	Number of PAs/ Paragraph for which ATNs were not received
1	Energy and Power	08	01	03	03
2.	Industries and Commerce	03	03	02	02
3.	Urban Development	NIL	NIL	03	03
4.	Health & Welfare	NIL	NIL	01	01
5	Education, Skill Development and Employment	NIL	NIL	02	02
6	Finance	NIL	NIL	NIL	NIL
7	Rural Development	NIL	NIL	NIL	NIL
8	Agriculture, Food and Allied Industries	02	NIL	06	06
9	Water Resources	NIL	NIL	NIL	NIL
10	Transport	NIL	NIL	NIL	NIL
11	Environment, Science and Technology	NIL	NIL	NIL	NIL
12	Public Works	02	01	02	02
13	IT and Communication	NIL	NIL	NIL	NIL
14	Law and Order	NIL	NIL	NIL	NIL
15	Culture and Tourism	NIL	NIL	NIL	NIL
16	General Administration	NIL	NIL	NIL	NIL

1.7.2 Action taken for Recovery pointed out in Audit reports

Twenty four administrative departments had not taken any action to recover the amount of ₹ 28,570.81 crore in respect of 45 paragraphs including performance audit pertaining to Audit Reports for the year 2000-01 to 2018-19 as per details given in the *Appendix 1.4*.

1.7.3 Compliance to Reports of COPU and PAC

The response of the Administrative Departments towards the recommendations of the Public Accounts Committee (PAC) and Committee on Public Sector Undertakings (COPU) was not encouraging as 673 recommendations contained in 16th to 82nd Reports of PAC for the year 1979-80 to 2021-22 and 232 recommendations contained in 16th to 68th Reports of COPU for the year 1983-84 to 2021-22 were still awaiting final action by the concerned administrative departments as per details given in *Appendix 1.5*. Detail of pending recommendations of the Public Accounts Committee and Committee on Public Sector Undertakings in respect of Departments/PSUs/ABs is given in *Table 1.4*.

Table 1.4: Detail of pending recommendations of PAC/COPU in respect of Departments/ PSUs/ABs as on 31 March 2022

Sr. No.	No. of COPU Recommendations	COPU Report	No. of PAC Recommendations	PAC Report
1.	Energy and Powers			
	47	35 th , 52 nd , 53 rd , 57 th , 58 th , 60 th , 61 st , 62 nd , 63 rd , 64 th , 65 th , 66 th , 67 th , 68 th	2	35 th , 74 th
2.	Industries and Commerce			
	51	41 st , 45 th , 48 th , 49 th , 50 th , 52 nd , 56 th , 57 th , 58 th , 60 th , 62 nd , 65 th , 67 th , 68 th	15	9 th , 16 th , 22 nd , 32 nd , 36 th , 50 th , 68 th , 70 th , 73 rd , 79 th , 81 st
3.	Urban Development			
	15	47 th , 67 th	119	25 th , 32 nd , 36 th , 40 th , 44 th , 48 th , 50 th , 52 nd , 54 th , 58 th , 60 th , 61 st , 62 nd , 63 rd , 65 th , 67 th , 68 th , 72 nd , 73 rd , 74 th , 75 th , 79 th , 80 th , 81 st , 82 nd
4.	Health & Welfare			
	9	60 th , 63 rd , 64 th	99	38 th , 44 th , 50 th , 52 nd , 56 th , 58 th , 60 th , 62 nd , 65 th , 68 th , 70 th , 71 st , 72 nd , 73 rd , 74 th , 75 th , 77 th , 79 th , 80 th , 81 st , 82 nd
5.	Education, Skill Development and Employment			
	-	-	77	34 th , 48 th , 52 nd , 54 th , 56 th , 58 th , 62 nd , 66 th , 70 th , 71 st , 72 nd , 73 rd , 74 th , 75 th , 77 th , 79 th , 80 th , 81 st , 82 nd , 80 th , 77 th , 81 st , 82 nd
6.	Finance			
	-	-	14	36 th , 40 th , 50 th , 56 th , 58 th , 62 nd , 63 rd , 65 th , 67 th , 74 th , 80 th , 81 st
7.	Rural Development			
	-	-	22	44 th , 50 th , 61 st , 65 th , 67 th , 68 th , 70 th , 73 rd , 81 st , 82 nd
8.	Agriculture, Food and Allied Industries			
	84	16 th , 23 rd , 98 th , 48 th , 49 th , 50 th , 52 nd , 53 rd , 55 th , 56 th , 57 th , 58 th , 59 th , 60 th , 62 nd , 63 rd , 64 th , 65 th , 66 th , 67 th , 68 th	86	23 rd , 34 th , 36 th , 40 th , 42 nd , 52 nd , 54 th , 56 th , 58 th , 60 th , 62 nd , 63 rd , 65 th , 67 th , 68 th , 71 st , 72 nd , 75 th , 77 th , 79 th , 80 th , 81 st , 82 nd
9.	Water Resources			
	3	42 nd , 51 st	34	22 nd , 46 th , 50 th , 58 th , 60 th , 67 th , 68 th , 71 st , 72 nd , 73 rd , 75 th , 80 th , 81 st , 82 nd
10.	Transport			
	-	-	9	50 th , 74 th , 75 th , 80 th , 81 st , 82 nd
11.	Environment, Science and Technology			
	2	58 th , 66 th	37	56 th , 58 th , 60 th , 63 rd , 67 th , 68 th , 72 nd , 74 th , 77 th , 79 th , 80 th , 81 st , 82 nd
12.	Public Works			
	15	55 th , 57 th , 60 th , 61 st , 62 nd , 64 th , 68 th	54	38 th , 40 th , 50 th , 52 nd , 54 th , 58 th , 60 th , 61 st , 62 nd , 63 rd , 64 th , 68 th , 64 th , 71 st , 72 nd , 73 rd , 75 th , 77 th , 79 th , 80 th , 82 nd
13.	IT and Communication			
	1	67 th	-	-
14.	Law and Order			
	2	60 th , 68 th	20	50 th , 56 th , 63 rd , 67 th , 68 th , 70 th , 73 rd , 74 th , 75 th , 77 th , 79 th , 80 th , 82 nd
15.	Culture and Tourism			
	3	59 th , 62 nd	3	60 th , 77 th , 80 th
16.	General Administration			
	-	-	82	26 th , 34 th , 44 th , 52 nd , 54 th , 56 th , 58 th , 60 th , 61 st , 63 rd , 64 th , 65 th , 68 th , 70 th , 72 nd , 73 rd , 74 th , 75 th , 80 th , 82 nd
	232		673	