CHAPTER-1

INTRODUCTION

1.1 About the Report

There are 41 Departments, 37 Public Sector Undertakings and 42 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 thereunder 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 contains observations emanating from compliance audit of Government Departments, Chapter 3 on General (Revenue Sector), Chapter 4 on Taxes/VAT on Sales, Trade, Chapter 5 on Stamp Duty, Chapter 6 on Financial Performance of State Public Sector Enterprises, Chapter 7 on Oversight Role of Comptroller and Auditor General of India, Chapter 8 on Corporate Governance, Chapter 9 on Corporate Social Responsibility, Chapter 10 contains observations of the Subject Specific Compliance Audit and Chapter 11 on 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 2018-23 is given in ***Table 1.1***.

Table 1.1: Budget and actual expenditure of the State during 2018-23

(₹ in crore)

Expenditure	2018-19		2019-20		2020-21		2021-22		2022-23	
	Budget Estimates	Actual	Budget Estimates	Actual	Budget Estimates	Actual	Budget Estimates	Actual	Budget Estimates	Actual
General Services	29,788	28,169	35,358	31,884	37,228	34,734	39,680	37,948	44,001	42,069
Social Services	34,176	29,743	36,114	33,726	43,090	36,164	43,293	40,928	47,255	43,680
Economic Services	20,916	19,022	22,770	19,238	25,020	19,048	33,954	19,549	24,943	20,657
Grants-in-aid and Contributions	306	222	0	0	0	0	0	0	0	0
Total (1)	**85,186**	**77,156**	**94,242**	**84,848**	**1,05,338**	**89,946**	**1,16,927**	**98,425**	**1,16,199**	**1,06,406**
Capital Outlay	15,780	15,306	16,260	17,666	13,201	5,870	9,318	11,046	22,344	11,665
Loans and Advances Disbursed	1,766	756	1,407	1,309	1,213	926	1,239	966	3,662	2,462
Repayment of Public Debt	12,466	17,184	20,257	15,776	22,592	29,498	28,161	25,473	35,052	53,021
Contingency Fund	-	13	-	-	-	-	-	-	-	-
Appropriation to Contingency Fund	-	-	-	-	-	800	-	-	-	-
Public Accounts disbursements	2,32,569	37,386	1,41,707	42,171	51,356	50,245	59,394	51,728	55,066	67,825
Closing Cash balance	-	2,985	-	3,999	-	3,148	-	4,946	-	3,834
Total (2)	**2,62,581**	**73,630**	**1,79,631**	**80,921**	**88,362**	**90,487**	**98,112**	**94,159**	**1,16,124**	**1,38,807**
Grand Total (1+2)	**3,47,767**	**1,50,786**	**2,73,873**	**1,65,769**	**1,93,700**	**1,80,433**	**2,15,039**	**1,92,584**	**2,32,323**	**2,45,213**

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 ₹ 2,32,323 crore, the application of resources was ₹ 2,45,213 crore during 2022-23. The total expenditure[1] of the State increased by 29 *per cent* from ₹ 93,218 crore[2] to ₹ 1,20,533 crore[3] during the period 2018-19 to 2022-23 while revenue expenditure increased by 38 *per cent* from ₹ 77,156 crore to ₹ 1,06,406 crore and capital expenditure decreased by 24 *per cent* from ₹ 15,306 crore to ₹ 11,665 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 2018-19 to 2022-23.

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

2 ₹ 93,218 crore = Revenue Expenditure: ₹ 77,156 crore + Capital Outlay: ₹ 15,306 crore + Loans and Advances: ₹ 756 crore.

3 ₹ 1,20,533 crore = Revenue Expenditure: ₹ 1,06,406 crore + Capital Outlay: ₹ 11,665 crore + Loans and Advances: ₹ 2,462 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 the stakeholders and the 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 2022-23, compliance audit of 449 auditee units of departments under Section 13, seven auditee units of PSUs under Section 19(1), Section 19(2) and 25 auditee units of 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 had reported on several significant deficiencies in implementation of various programmes/activities as well as on the quality of internal controls in the 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 the draft paragraphs proposed for inclusion in the Reports of Comptroller and Auditor General of India within six weeks.

This Audit Report contains 10 compliance audit paragraphs[4] which were forwarded to the Administrative Secretaries concerned. Exit conference in respect of Subject Specific Compliance Audit (SSCA) had been conducted with the Administrative Secretary and the reply of Chief Administrator, Haryana Shahri Vikas Pradhikaran received in case of one paragraph. The replies were awaited for the eight paragraphs (July 2025).

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[4] 10 Compliance Audit Paragraphs = 7 Paragraphs of Departments + 3 paragraphs of Public Sector Enterprises (Including one SSCA).

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 the 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.

A total of 24,242 paragraphs pertaining to 8,049 IRs were outstanding as of 31 March 2023, 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

Year	Number of IRs	Number of paragraphs
Prior to 2016-17	5,624	13,239
2017-18	583	1,804
2018-19	592	2,272
2019-20	465	1,927
2020-21	300	1,445
2021-22	239	1,465
2022-23	246	2,090
Total	**8,049**	**24,242**

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 2020-25 is given in ***Table 1.3***.

Table 1.3: Status of discussion on Audit Reports Laid in State Legislature during 2020-25

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 2025
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[5] and COPU[6]	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[7]	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
10.	Performance Audit on Public Health Infrastructure and Management of Health Services (Report No. 2 of the year 2024)	13 November 2024	PAC	ATNs Awaited

As of March 2025, Report of Performance Audit on 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 for recovery of ₹ 1,961.17 crore pointed out through 33 audit paragraphs appeared in Audit Reports for the years 2000-01 to 2019-20 was awaited as of March 2025. The details of outstanding recoveries pointed out by Audit is given

5 Three paragraphs of the Compliance Audit Report (4.1, 4.2 and 4.3).
6 Six paragraphs of the Compliance Audit Report (2.1 to 2.3 and 3.1 to 3.3).
7 One paragraph of the Compliance Audit Report (5.17).

in ***Appendix 1.3***. PAC has also recommended the departments concerned to recover this amount.

1.7.3 Compliance to Reports of COPU and PAC

Final action on 649 recommendations contained in 16th to 91th Reports of PAC for the years 1979-80 to 2024-25 and 265 recommendations contained in 16th to 71th Reports of COPU for the years 1983-84 to 2024-25 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***.