OVERVIEW

This Report of the Comptroller and Auditor General of India (C&AG) covers matters arising out of the Compliance Audit of Government Departments, Autonomous Bodies, audit of receipts and expenditure of major revenue earning Departments under Revenue Sector and Public Sector Undertakings of the Government of Haryana. The Report contains 11 Chapters including one on a Subject Specific Compliance Audit on 'Implementation of Smart City Mission in Haryana' and 25 paragraphs.

Civil

Chapter 2: Compliance Audit Observations (Departments)

Violation of the policy guidelines by Haryana Shehri Vikas Pradhikaran led to loss of ₹ 1.97 crore on allotment of a plot to the claimant oustee at a far lesser rate, undue benefit of which, was eventually extended to a non-oustee person while allowing transfer/re-transfer of the plot within four months from its allotment.

(Paragraph 2.2)

Incorrect demand of Net Present Value and no demand for possession value of the diverted forest land by the Forest Department, in contravention to the extant Guidelines, led to a significant shortfall in realisation of funds in the State Compensatory Afforestation Fund Management and Planning Authority to the extent of ₹ 22.63 crore.

(Paragraph 2.3)

Inability of the Drawing and Disbursing Officers of the respective 191 indenting entities in making timely payments to Haryana Kaushal Rozgar Nigam Limited led to delayed payment of Employees Provident Fund contributions to Employee Provident Fund Organisation and a concomitant levy of penalty which eventually caused an avoidable financial burden of ₹ 8.29 crore on the State Exchequer.

(Paragraph 2.4)

Non-compliance of the Public Works Department (Buildings and Roads) with the provisions of the Public Works Department Code led to four works in Kurukshetra, Rewari, Kaithal and Panipat remaining incomplete even after four to five years, rendering the entire expenditure of ₹ 25.86 crore unfruitful.

(Paragraph 2.5)

Women and Child Development Department had not evolved a mechanism for maintaining the list of beneficiaries under the Scheme "*Surakshit Bhavishya Yojna*" and updating it from time to time leading to an excess payment of premium of ₹ 12.66 crore to LIC.

(Paragraph 2.7)

Revenue Sector

Chapter 3: General

The total revenue receipts of the State Government for the year 2022-23 were ₹ 89,194.69 crore as compared to ₹ 78,091.69 crore during the year 2021-22. Out of this, 80.39 *per cent* was raised through tax revenue (₹ 62,960.80 crore) and non-tax revenue (₹ 8,742.63 crore). The balance 19.61 *per cent* was received from the Government of India as State's share of divisible Union taxes (₹ 10,378 crore) and Grants-in-aid (₹ 7,113.26 crore).

(Paragraph 3.1.1)

Test check of the records of 117 units pertaining to Sales Tax/Value Added Tax, Stamp Duty and Registration fee conducted during the year 2022-23 revealed under-assessment/short levy of tax/loss of revenue aggregating to ₹ 260.24 crore in 2,516 cases. During the course of the year, the Departments concerned accepted under assessment and other deficiencies of ₹ 79.04 crore involved in 1,980 cases.

(Paragraph 3.10)

Chapter 4: Taxes/Value Added Tax on sales, trade

The Assessing Authorities, while finalising the assessments, allowed concessional rate of tax without verification of statutory forms, resulting in under assessment of tax of ₹ 1.97 crore. In addition, penalty of ₹ 5.90 crore was also leviable.

(Paragraph 4.3)

The Assessing Authorities, while finalising the assessments, assessed the cases on Gross Turnover/Taxable Turnover as ₹ 25.34 crore instead of ₹ 33.04 crore, resulting in under assessment of tax of ₹ 87.87 lakh.

(Paragraph 4.4)

Chapter 5: Stamp Duty

Misclassification/undervaluation of collaboration agreements in 73 cases resulted in short levy of stamp duty and registration fee of ₹ 23.37 crore.

(Paragraph 5.3)

In 218 deeds, stamp duty and registration fee of ₹ 28.69 crore was levied using the rates for agricultural land. However, land records *(Jamabandis)*, revealed that those were residential, commercial or industrial plots/land. Thus, ₹ 46.51 crore was leviable. It led to a shortfall of ₹ 17.82 crore in collection of stamp duty and registration fee.

(Paragraph 5.4)

Seven developers evaded registration of collaboration agreements in contravention of provisions of Section 17 (1)(b) of the Registration Act, 1908 resulting in a loss of stamp duty of ₹ 13.99 crore.

(Paragraph 5.5)

114 farmers purchased agricultural land with the compensation/award received after January 2014 and availed exemption of Stamp Duty and Registration Fee. As no exemption of Stamp Duty and Registration Fee was allowed in such cases, it resulted in non/short levy of stamp duty and registration fee of ₹ 2.23 crore.

(Paragraph 5.6)

Registering Authorities allowed exemption from payment of stamp duty and registration fee of ₹ 1.36 crore to Dakshin Haryana Bijli Vitran Nigam Limited incorrectly treating them as Government entity.

(Paragraph 5.7)

Registering Authorities incorrectly assessed prime *khasra* land at normal rates fixed for agricultural land, resulting in short levy of stamp duty of ₹ 1.31 crore.

(Paragraph 5.8)

Commercial

Chapter 6: Financial Performance of State Public Sector Enterprises

As on 31 March 2023, there were 37 SPSEs (two Statutory Corporations and 35 Government Companies including three inactive Government Companies) in the State. Nineteen SPSEs reported profit as per their latest financial statements in 2022-23 against 20 SPSEs in 2021-22. The profit earned increased from

₹ 648.75 crore in 2021-22 to ₹ 1,049.20 crore in 2022-23. Eleven SPSEs reported losses of ₹ 51.05 crore as per their latest accounts finalised during the year 2022-23. The net worth of four SPSEs out of 31 SPSEs had been completely eroded by their accumulated losses.

(Paragraphs 6.1.3, 6.3.1, 6.5.1 and 6.5.2)

Chapter 7: Oversight Role of Comptroller and Auditor General of India

As of 30 September 2023, accounts for the year 2022-23 were due from 34 Government Companies. However, only nine Government Companies submitted their accounts for the year 2022-23 for audit by CAG by 30 September 2023. Accounts of 25 Government Companies and two statutory corporations were in arrears for a period of one to six years.

(Paragraph 7.2.2)

Chapter 8: Corporate Governance

Out of 32 selected SPSEs, no Independent Directors were appointed in three SPSEs; delays of more than six months were observed in filling vacancies of Independent Directors in six SPSEs; delays of 12 months were observed in filling up vacancies of key managerial personnel in two SPSEs; no Audit Committee was there in three SPSEs; no Nomination and Remuneration Committee was constituted in two SPSEs; no whistle blower mechanism was put in place in one SPSE.

(Paragraphs 8.2.2, 8.4, 8.5.1, 8.6.1 and 8.7.1)

Chapter 9: Corporate Social Responsibility

Out of 11 SPSEs in Haryana, which were required to carry out CSR activities as per the Act, only nine SPSEs were compliant. The focus areas of CSR expenditure were Education and Rural Development. The selection of CSR projects in all SPSEs was done without any need assessment. Reporting and disclosure requirements were not complied with by seven of the 11 SPSEs, which met the criteria.

(Paragraphs 9.6.1, 9.8.1, 9.8.3 and 9.10)

Chapter 10: Subject Specific Compliance Audit

Implementation of Smart City Mission in Haryana

In Haryana, two cities i.e. Faridabad and Karnal were selected by Government of India for implementation of Smart Cities Mission. Accordingly, two Special Purpose Vehicles (SPVs) i.e. Faridabad Smart City Limited (FSCL) and Karnal

Smart City Limited (KSCL) were incorporated.

The effectiveness of citizen consultation and review of previous plans in preparation of Smart City Proposals for both the cities in the State could not be evaluated as relevant records were not made available to Audit.

Against the planned mobilisation of funds of ₹ 3,896.82 crore for implementation of projects under the Mission for two cities, the SPVs could mobilise only ₹ 1,825.86 crore (46.86 *per cent*) primarily through grant-in-aid received from Government. The SPVs failed to leverage grant received from Government and required funds for implementation of the projects from internal and external sources (i.e. Public Private Partnership, debt and land monetisation etc.) could not be arranged. The SPVs failed to implement projects under convergence with schemes of Centre/State Government due to non-issuance of guidelines in respect of funding pattern of convergence of projects by the State Government. KSCL implemented only four projects of ₹ 12.86 crore under convergence with MC Karnal.

The SPVs revised the Smart City Proposals and planned 167 projects of ₹ 1,881.75 crore, out of which, 152 projects were awarded and 112 projects completed by June 2024. However, only 45 projects met their scheduled timelines, while 67 projects faced delays ranging from three to 1,506 days due to issues like lack of encumbrance-free sites, site clearance delays and drawing revisions. KSCL incurred expenditure of ₹ 356.87 crore for execution of new projects outside the selected ABD area in violation of the Mission guidelines.

Monitoring mechanism for implementation of the Mission was deficient at city level as both the SPVs held 10 meetings of city level monitoring committee as against the requirement of 133 meetings. Further, the SPVs had not appointed any agency for carrying out third-party review/ impact assessments of the projects executed under the Mission. Consequently, the achievement of Mission objectives by the SPVs could not be evaluated.

The State Government may:

(i) take steps for convergence of ongoing projects under the Mission with other Central/State Government schemes to drive the maximum benefit in implementation of smart city projects in the State;

(ii) ensure timely execution of on-going projects as per the guidelines of the Mission; and

(iii) identify measurable indices and carry out third-party review for assessing the impact assessments of the projects executed under the Mission.

(Chapter 10)

Chapter 11: Compliance Audit Observations (Public Sector Undertakings)

Imprudent decision of the Haryana Orbital Rail Corporation Limited to retain the share application money beyond the stipulated time, in contravention to the provisions of the Companies Act, 2013 led to payment of an avoidable interest of ₹ 1.20 crore to the share applicants.

(Paragraph 11.1)

Haryana Tourism Corporation Limited delayed transfer of possession of a Convention Centre to the contractor - as well as execution of license agreement. Extension of renovation and upgradation period (without license fee) was given in violation of the agreed terms and conditions of LOI, thus, unduly favouring the contractor and depriving the Company of license fee income of ₹ 0.68 crore.

(Paragraph 11.2)